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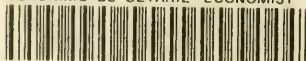
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CASTILLO # SPANISH MERCANTILISM  
GERONIMO DE UZTARIZ-ECONOMIST



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To Professor Edwin R. A. Seligman  
who has guided and encouraged  
me throughout my student  
career in America.

Andres V. Castillo

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SPANISH MERCANTILISM  
Gerónimo de Uztáriz—Economist

By  
ANDRES V. CASTILLO, PH.D.

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New York, 1930



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TO MY MOTHER



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## P R E F A C E

Many books have been written on the history of economic thought which purport to cover a wide field. A cursory examination of their contents reveals to the reader that very little space has been given to the history of Economic Science in Spain. A few Spanish names are given followed by the curious titles of their works. There has been practically no study made in an English garb on the writings of Spanish economists. Needless to say they have been very sadly neglected by English-speaking students. To be sure there are a number of monographs both in French and German mainly expository in character devoted to a discussion of the works of Spanish economic writers. The present inadequate knowledge of the modern languages possessed by the average college student has been the principal obstacle in pursuing any intensive investigation of the economic thoughts and ideas of the Spanish economists. An offhand excuse for neglecting them is often mentioned that they never made any important contribution to economic thought. While this statement can not be seriously questioned, nevertheless, there were Spanish writers, though few in number, who advanced very suggestive ideas and even anticipated to a certain degree the theories that we now associate with French and English writers whose names now adorn the science. During recent years, many monographs have been written, popularizing the economic conceptions of some prominent English, French, or American politicians and statesmen. Comparatively very little attention has been given to investigate the ideas of Spanish politicians especially those of the seventeenth and eighteenth centuries who put economic theories to the severest test.



This study was undertaken at the suggestion of Professor Edwin R. A. Seligman. The purpose of this treatise, if one could be offered, is to call attention to the existence of Spanish economic writers who very ably expounded and applied the doctrines of the Mercantile System. No claim is made that this work includes all the Spanish writers who belong to the Mercantile School, for there is a host of writers whose works are in the hands of private collectors or tucked away on the dusty shelves of some foreign library. An attempt has been made in this work to estimate the contributions of some of the most prominent Spanish mercantilists to our economic thought. Such a study is in order at this time when present economic discussions are reminiscent of seventeenth and eighteenth century economic doctrines. A very fruitful field for scientific investigation eagerly awaits the student who has the leisure to search for the hiding places of economic books and manuscripts which the well-known Spanish economic historian, Manuel Colmeiro, has reported to be in existence. The first two historical chapters are intended to give the reader a background of the economic conditions in Spain before and at the time when the economists included in this study wrote their treatises. Such an information is most helpful in understanding the economic conceptions and views of Uztáriz and the rest of the Spanish writers.

It gives me great pleasure to acknowledge my great indebtedness to Professor Seligman who has shown an interest in my work which extends far beyond that of a teacher to a student. He has kindly put at my disposal the rare books in his private library which could not be obtained anywhere in America. My thanks are due to Professor H. R. Seager whose suggestions and criticisms were most helpful. To Professors W. L. Westermann and A. P. Evans of the Department of History, my thanks are due for their scholarly criticisms of the historical chapters. To Dr. R. L. Carey of Columbia College, my thanks are due for being most helpful

in more ways than one. To Mrs. C. P. Killien, my thanks are due for her criticism in points of diction. In the preparation of this treatise, I am most grateful to Dr. E. M. Burns who has devoted a great deal of time in reading and criticising the manuscript. Her able criticisms and suggestions both as to form and content have always put me on the right track when I found myself groping. The unequalled scholarship of the professors of the Department of Economics has been a source of great inspiration.

ANDRES V. CASTILLO.

Columbia University  
June, 1930.





## CHAPTER I

### SPAIN IN ITS HEYDAY

Most economic treatises of the present day are devoted to a study of nations still in the progressive state. The different phases of prosperity constitute the principal burden and the central theme of most recent essays. There has, on the contrary, been a tendency among writers on Spain to emphasize the period of its decline and to ignore a past that once enjoyed a large measure of glory. In the works available today one reads of the poverty, penury, and lack of activity in Spain, with only a slight reference to the country that thrived during the Middle Ages when the Peninsula was the home of a people that had known prosperity, luxury, and splendor. / Before America was put on the map and while Great Britain was yet in its infancy, when the center of activity was confined to the regions surrounding the Mediterranean, Spain had already built magnificent cities that were the centers of world trade / The Spain of classical antiquity and of the Middle Ages was rich in gold and silver mines, was possessed of a fertile soil, and was inhabited by an industrious people—elements which combined to form a solid foundation for the establishment of a rich and prosperous country. This treatise will, however, be devoted chiefly to the study of Spain in its decadent period and the economic ideas as well as the suggestions of some of those who tried to offer solutions of the deplorable situation.

#### I. *Ancient Spain*

Spain was originally inhabited by a number of tribal groups, the most important being the Iberians, Celts, and Tartessians. The

adventurous nations of the Mediterranean found Spain rich in natural resources, and they were attracted to settle in the Peninsula. Among the first settlers were the Phœnicians who, about the end of the twelfth century B. C., went to Spain and founded the city of Gades (Gadeira), now called Cadiz, which soon became the center of commerce in Spain.<sup>1</sup> The fertile valleys of the Guadiana and the Guadalquivir, the rich pastures that produced flocks of sheep, and the rivers and bays rich in all kinds of fish contributed not a little to the prosperity of the new settlers.<sup>2</sup> The Phœnicians settled along the coast of Spain washed by the Mediterranean and along the rivers where the problem of transportation could be easily solved with their ships. The rivers, especially the Guadalquivir, were the principal means of inland transportation, and Hispalis (Seville), Italica, and other cities along the rivers were the centers of trade in Phœnician Spain.<sup>3</sup> The trade of the settlers with the rest of the known world was in a flourishing state, and the goods of the Peninsula were sent to Greece, Italy, and Egypt later to be transported to the Orient where the Egyptians had a monopoly of trade.<sup>4</sup> In return Oriental goods reached Spain through Africa. In these ancient days, Spain divided trade honors with Tyre and Sidon. The Phœnicians, who were the first teachers of the Spaniards, bequeathed their ideas of commerce, navigation, and the arts to Spain.<sup>5</sup>

The Greeks followed the Phœnicians. The Phocæans reached Spain by way of southern Italy and southern France.<sup>6</sup> The early settlers established themselves mostly in Valencia where the temperature and seasons are much the same as in Phocæa.<sup>7</sup> In the

<sup>1</sup>Gsell, *Histoire de L'Afrique du Nord* (Paris, 1920), vol. iv, p. 490.

<sup>2</sup>*Ibid.*

<sup>3</sup>Colmeiro, *Historia de la Economia Politica en España* (Madrid, 1863), vol. ii, p. 29.

<sup>4</sup>Gsell, *op. cit.*, pp. 100-101 *et seq.* Cf. Buchier, *Spain Under the Roman Empire* (Oxford, 1914), p. 77.

<sup>5</sup>Lafuente, *Historia de España* (Madrid, 1850-69), vol. i, p. 81.

<sup>6</sup>Schulten, The Carthaginians in Spain in *The Cambridge Ancient History* (Cambridge, 1928), vol. vii, chap. xxiv, p. 769.

<sup>7</sup>Carpenter, *The Greeks in Spain* (New York, 1925), p. 24.

course of time the Greeks extended their colonies along the eastern and southern coasts as far as the regions near Malaca and the kingdom of Tartessus.<sup>1</sup> The Tartessians were a prosperous people and they were ready to welcome Greek trade and culture.<sup>2</sup> Agriculture received the attention of the Greek settlers, and they traded with the neighboring regions and cultivated friendly relations with the natives with whom they shared the struggle to make a living in various industries which they had learned in their mother country. The Greek cities in Spain were prosperous. Ampurias was a city inhabited both by the indigenous people and the Greek immigrants, and Saguntum, during the time of Hannibal, a populous city with a large internal and foreign trade.<sup>3</sup> The Greek city-states of Spain coined their own money which circulated through the greater part of Europe, a proof that they carried on an extensive trade.<sup>4</sup>

About 600 B. C. Carthage rose to power and challenged Greek supremacy in the Western Mediterranean.<sup>5</sup> After establishing their rule over the north coast of Africa, Sardinia, and the Balearic Isles, Spain was the next objective of Carthaginian imperialism.<sup>6</sup> The Carthaginian colonies in Spain at the zenith of their power included what are known today as Andalusia, Granada, as far as Sierra Morena, and the southwestern and eastern coasts of the Peninsula.<sup>7</sup> During their domination, the Carthaginians built trading centers like the cities of Nova Carthago (Cartagena) and Barcino (Barcelona); constructed canals and ports; and erected magnificent public buildings. Carthage did not go to Spain merely for plunder and pillage; the Carthaginians worked the mines already being exploited by the Phoenicians,<sup>8</sup> and devoted them-

<sup>1</sup>Carpenter, *op. cit.*, pp. 25, 29.

<sup>2</sup>*Ibid.*, p. 25.

<sup>3</sup>Colmeiro, *op. cit.*, vol. i, p. 34. Cf. *Campomanes, Antigüedad Marítima de la República de Cartago* (Madrid, 1756), p. 27.

<sup>4</sup>Altamira, *Historia de España* (Barcelona, 1913-14), vol. i, p. 84.

<sup>5</sup>Schulten, *op. cit.*, p. 769.

<sup>6</sup>*Ibid.*, *op. cit.*, pp. 770, 773.

<sup>7</sup>*Ibid.*, p. 791.

<sup>8</sup>*Ibid.*, p. 778.

selves to the development of industries and trade.<sup>1</sup> Carthago, the capital and principal city of the Carthaginians in Spain, contained within its walls a numerous population composed of artisans and mariners engaged in all sorts of trade.<sup>2</sup>

When the Carthaginians lost their Spanish possessions to Rome in 206 B. C., the Romans established their supreme control over southern and eastern Spain.<sup>3</sup> The decadent economic condition of Rome, which was principally due to the loss of fertility of the Italian fields,<sup>4</sup> forced her to reach out for colonies to maintain her population and to support her in her endless wars. Almost all the Roman provinces as a natural consequence suffered a heavy drain upon their wealth and resources. The maritime industries were important during the Roman domination, and dried and salted fish from Spain were preferred in Rome above those of other nations.<sup>5</sup> Fishing was one of the principal occupations of the towns along the coast, and fish was one of the principal articles of the overseas trade of Spain. The mines were exploited to such a degree that Spain has been called the Peru of the ancients.<sup>6</sup> The extractive industries flourished and the oil and wine of Spain were known throughout the ancient world. Weaving, which was introduced by the first Phœnician settlers, received considerable attention, and woolen and linen cloth was exported to other countries of the ancient world in large quantities. The growth of luxury at Rome served to stimulate production in Spain.<sup>7</sup>

<sup>1</sup>Gsell, *op. cit.*, pp. 101, 121.

<sup>2</sup>Colmeiro, *op. cit.*, vol. i, p. 41. Cf. Altamira, *op. cit.*, vol. i, p. 86.

<sup>3</sup>Buchier, *op. cit.*, p. 15.

<sup>4</sup>Simkhovitch, *Rome's Fall Reconsidered in Toward the Understanding of Jesus* (New York, 1925). There is considerable opposition to this theory of the decadence of Rome because of the loss in fertility of the soil of Italy. See the discussion in Rostovtzeff, *Social & Economic History of the Roman Empire* (Oxford, 1926), pp. 329, 484, with references in note 30, p. 591.

<sup>5</sup>Colmeiro, *op. cit.*, vol. i, p. 77.

<sup>6</sup>Buchier, *op. cit.*, p. 77. Cf. Gibbon, *History of the Decline and Fall of the Roman Empire* (New York, 1845), vol. i, p. 215. See also Schulten, *op. cit.*, p. 778.

<sup>7</sup>Buchier, *op. cit.*, p. 77 *et seq.*

As a result of agricultural and industrial development, trade received an impetus, and the market for Spanish goods extended its limits to more remote places. Spain traded principally with Italy, Gaul, and Africa, where traders from the East brought the products of Asiatic countries.<sup>1</sup> The principal trading cities were Terraco (Tarragona), Carthago (Cartagena), Malaca, Corduba, Hispalis (Seville), Gades, Bracara,<sup>2</sup> and the chief exports consisted of the precious metals, gold and silver, fruits, wines, oil, coarse and fine wool, wheat, honey, and other agricultural products mostly sent to Italy.<sup>3</sup>

Connected with the development of commerce was the improvement of shipping and inland transportation. Ports were constructed; lighthouses were erected along the shore; the coast was rid of the incursions and depredations of pirates so common during this period; and the rivers were made navigable. Principally for military purposes, but without failing to serve the purposes of trade, the Romans constructed good roads and bridges remnants of which remain to this day.<sup>4</sup>

By a singular coincidence the Roman provinces, like the colonies of Spain and other nations in modern times, were regarded as legitimate sources of profit to the Imperial City which exploited them. Spain, like the other Roman provinces, contributed to the support of the Roman Empire, and the tributes exacted, which were paid in coin or kind, were very excessive. There were many kinds of contributions to Rome, some continuing in the history of Spanish taxation to the present day; a typical example is the general property tax.<sup>5</sup> Among the dues were the land tax, the tax on auctions, inheritance tax payable only by Roman citizens, the excise tax on goods sold (*alcabala*) which consisted of one-half of one per cent at the time of its introduction, the road tolls, as

<sup>1</sup>Altamira, *op. cit.*, vol. i, p. 139.

<sup>2</sup>Colmeiro, *op. cit.*, vol. i, p. 86.

<sup>3</sup>Schulten, *op. cit.*, p. 778. Cf. Huet, *Histoire du Commerce et de la Navigation des Anciens* (Lyon, 1763), p. 231.

<sup>4</sup>Altamira, *op. cit.*, vol. i, pp. 140-141.

<sup>5</sup>Colmeiro, *op. cit.*, vol. i, p. 93.



well as customs duties of 2 per cent on goods imported and exported (*portoria*).<sup>1</sup> There were also rents of the mines which were converted by the Romans into a state monopoly.<sup>2</sup> Military service was accepted as an equivalent for tribute in the case of poorer and more remote tribes from which it was difficult to levy regular taxes.<sup>3</sup>

About the beginning of the fifth century the Germanic tribes of the north invaded Spain and occupied the northern part of the Peninsula. These barbarian tribes, the Vandals and the Visigoths, found Spain depopulated and impoverished by the excessive tributes imposed by the Romans. The coming of the northern tribes increased the population appreciably.<sup>4</sup> The Vandals and Visigoths, primarily an agricultural people whose chief activity was farming,<sup>5</sup> divided the land between the proprietors and the conquerors, leaving one-third to the former owners and reserving two-thirds for themselves as a prize of victory.<sup>6</sup> From the division of the land into *repartimientos* or holdings, with a certain area and number of people, may be found the germ of the feudal system in Spain especially in the regions occupied by the Visigoths. To encourage agriculture the Visigoths promulgated various decrees intending to protect the grain-fields and vineyards from the destruction by herders of the fences enclosing the farms, and the injury resulting from the grazing of sheep in the fields before the crop was harvested, the cutting of trees without the permission of the owner. There were also decrees for the protection of boundaries. We find striking similarities between the agricultural system of the Visigoths, the manorial system and the

<sup>1</sup>Buchier, *op. cit.*, pp. 30-31. Cf. Canga Arguelles, *Diccionario de Hacienda* (London, 1827), vol. v, p. 27; Piernas Hurtado, *Tratado de Hacienda Publica y Examen de la Española* (Madrid, 1891), vol. ii, p. 16.

<sup>2</sup>Canga Arguelles, *op. cit.*, art. *Rentas*.

<sup>3</sup>Buchier, *op. cit.*, p. 24.

<sup>4</sup>Colmeiro, *op. cit.*, vol. i, p. 116.

<sup>5</sup>Altamira, *op. cit.*, vol. i, p. 220.

<sup>6</sup>Colmeiro, vol. i, p. 121.

system of enclosures later in vogue in England. A system of hereditary nobility based on land ownership took a firm root.

## II. Mohammedan Spain

Spain witnessed a high degree of prosperity during the Middle Ages especially under the Moors. The Moslem tribes of Africa, known for their daring and enterprise, invaded Spain at the beginning of the eighth century, and for the next seven centuries until the conquest of Granada by the Catholic Monarchs, Ferdinand and Isabella, their influence held sway in the Peninsula. The Moors, a hard-working and a sober race, found in Spain a country blessed with natural resources which they turned into rich gardens and made a flourishing center of industrial activity. Contrary to a widespread opinion, the Moors did not go to Spain to plunder and proselyte but to found a home, and "in the space of two centuries, the gifts of nature were improved by the agriculture, the manufactures, and the commerce of an industrious people".<sup>1</sup>

In the beginning the Moslems, more than anything else, were agriculturists. "The policy of the Moors certainly far surpassed that of all their predecessors. They prudently preferred the wealth obtainable from the surface of the earth, to that more laboriously and painfully extorted from its bowels; and, as they were naturally sober and industrious, both agriculture and commerce prospered under their management. With the system of manuring and irrigation they were perfectly acquainted".<sup>2</sup> They introduced new fruits, plants and trees; sugar cane was first introduced from the Orient; and silk culture was carried on on a large scale. They are also credited with being the first to introduce the system of irrigation, making cultivation independent of the weather. Among the first acts of the Moorish conquerors, after they had estab-

<sup>1</sup>Gibbon, *op. cit.*, vol. iv, p. 483.

<sup>2</sup>Bourke, *A Concise History of the Moors in Spain* (London, 1811), p. xxi.



lished their supreme authority in the country, was to partition the conquered land among the people.<sup>1</sup>

The progress of agriculture was the foundation of Moorish domination. Their tested industry, coupled with the fertility of the river valleys, made possible the agricultural prosperity which has made Spain the object of admiration and envy throughout Europe. Her flourishing gardens and vineyards furnished Europe and Asia with grain, wine, and oil. Cordova, which possessed fruitful gardens and valleys, was also the chief market of foodstuffs incomparable in abundance and cheapness throughout the world. Granada was rich in cereals, fruit, legumes, sugar cane, and other agricultural products. Seville excelled in vineyards, olive plantations, sugar plantations, and figs. "The land around Seville was in high cultivation in the time of the Moors, and the country so remarkable for its fertility that it was called Hercules's garden. Its principal production was oil, and when it fell to Ferdinand it was said to contain near one hundred thousand oil mills".<sup>2</sup> The city of Carmona was noted for its wheat; Malaga, for its figs and wines; Jaen, for silk; Ubeda, for wines; Baeza, for saffron; Murcia, for fruits and aromatic plants; Valencia, for saffron and rice; Toledo, for rich grain-fields, fruits, and rich pastures; Zaragoza, for wheat, wine, beans, and dried fruit; and Baleares, for grains, wines, and fruits.<sup>3</sup> Sugar was one of the chief agricultural exports of the Moors, and its cultivation on a large scale passed away with their expulsion.

Herding, an occupation which had been founded by the first Phœnician settlers, was carried on in connection with agriculture. Sheep-raising, important for its wool, a material in great demand by the weaving trade, received a new impetus from the Arab settlers who had been engaged in herding since Biblical days.

<sup>1</sup>Colmeiro, *op. cit.*, vol. i, p. 179.

<sup>2</sup>Bourke, *op. cit.*, p. 259.

<sup>3</sup>Colmeiro, *op. cit.*, vol. i, pp. 182-184.

Arabian horses, famous throughout the world, were introduced and the Spanish breed was greatly improved.

The Saracens lived a life of relative luxury and splendor in their native land. The caliphs of Damascus resided in magnificent palaces and worshipped in splendid mosques decorated with the most precious gems and rugs, a silent testimony of their love for the delights and comforts of civil life. The Moors who invaded Spain brought with them the luxuries of the Orient, and to satisfy their demand for the comforts they had been accustomed to from where they came, they dedicated themselves to the manufacture of these articles of luxury. Although the Spanish Moslems were known primarily for their agriculture, other industries were not neglected. Mining which had been abandoned was once more revived and the mines were divided between the caliphs and private individuals. The most celebrated mining regions were those in Jaen, Bulche, Aroche, and Algarbe. Rubies were found primarily in Beja and Malaga,<sup>1</sup> gold was mined in Darro and Lerida; silver in Murcia, Alhama and Guadalcanal; quicksilver in Cordova and the Pyrenees; tin in the mountains of Portugal, and iron and alum in Calvanda; lead, near Almeria; copper in the north; zinc in the mountains of Cordova; and red lead or vermilion was very common.<sup>2</sup> The Moors were very proficient in working these metals, and they manufactured swords, knives, rings and other articles made of metal. Toledo, Granada, and above all Cordova were great centers for the production of offensive and defensive weapons.<sup>3</sup>

Weaving, which attained a high degree of perfection, was in a flourishing state and the woolen and silk cloths of Cordova, Malaga, and Almeria became celebrated all over the medieval

<sup>1</sup>Colmeiro, *op. cit.*, vol. i, p. 191.

<sup>2</sup>*Ibid.*

<sup>3</sup>Altamira, *op. cit.*, vol. i, p. 277. "Séville, Tolède, et d'autres villes, se distinguèrent par leurs fabriques d'armes, d'une bonne trempe, par leur draperie, leur orfèvrerie", Depping, *Histoire du Commerce* (Paris, 1830), vol. i, p. 275.

world.<sup>1</sup> In Cordova alone there were 13,000 weavers,<sup>2</sup> and in Almeria, there were known to be 6,000 looms.<sup>3</sup> There were weavers' guilds in Granada about the 13th century, a sign that weaving had been an important occupation.<sup>4</sup> This industry was fostered by the great Moors' fondness and demand for very expensive and ostentatious dress.

The ceramic art also received considerable attention from the Moors, and their jars and vessels with marvelous designs and decorations became the object of admiration in other medieval countries. Hangings or draperies of gilded or painted leather for decorative purposes were produced in great quantities, while brocades with paintings or inscribed legends gave evidence of a high degree of artistic taste.<sup>5</sup> Architecture flourished and magnificent public buildings were erected in Seville, Granada, and Cordova.

The fever of industrial and agricultural activity that prevailed in Moslem Spain increased the products of the country many times beyond the needs of domestic consumption, and the surplus was exported. With increased production there followed a more prosperous foreign trade, though the market was confined chiefly to the Levant and the Orient through the caravans of Egypt. The ships of the regions around the Mediterranean dotted the ports of Malaga, Seville, and Almeria and carried away the products of Moslem Spain in exchange for the products of Italy, Egypt, and the Orient. The principal exports were fruits of all sorts, the most important being the almonds and figs of Malaga which were highly esteemed in China; the oil of Seville, sent principally to Alexandria; saffron from Toledo and Baeza;<sup>6</sup> wines, marbles,

<sup>1</sup>Altamira, *op. cit.*, vol. i, p. 277.

<sup>2</sup>*Ibid.*

<sup>3</sup>Colmeiro, *op. cit.*, vol. i, p. 193.

<sup>4</sup>*Ibid.*, p. 194.

<sup>5</sup>Altamira, vol. i, p. 277. "Les Maures d'Espagne cultivèrent de bonne heure quelques-unes des branches d'industrie qui florissaient dans le Levant. La culture de la soie fut connue en Espagne, suivant un auteur arabe de Séville, avant le douzième siècle". Depping, *op. cit.*, p. 273.

<sup>6</sup>Colmeiro, *op. cit.*, vol. i, p. 197.

and precious stones, crude silk, sugar, cochineal, pepper, iron bars, and a number of minor articles.<sup>1</sup> The imports consisted mainly of luxuries and medicinal goods, among the most important being perfumes, rare stones, drugs, and camphor.<sup>2</sup>

While the Jews were persecuted by the both the Romans and the Goths they, as well as the Christians, were tolerated by the Caliphs, under whose paternalistic policy toward trade, they attained the highest degree of opulence and prosperity. They were the financial magnates and successful business men of medieval Spain. Foreign traders were welcomed and protected. The means of transportation were greatly improved by the construction of roads and bridges between the chief commercial centers. Stores were built in the ports and trade centers; public funds were not spared for the promotion of the common good. Under the Moors trade was not fettered by the excessive tributes that had characterized former epochs; the prohibitive system of the Hanseatic cities and the Italian republics was not emulated by the caliphs. Customs duties (*almojarifazgo*) were charged for revenue purposes only, and, during the time of Abderrahman III, the customs collections reached a considerable amount, constituting the principal source of the state's revenues.<sup>3</sup>

The fiscal necessities of a state determine the amount of revenue to be raised by taxation and other forms of contribution. In the beginning of their domination the Moors levied moderate tributes as the expenses of the state did not require a large amount. The principle of ability to pay was generally adopted in part in their scheme of taxation, although the payment of tributes fell heavily on the Christians. The capitation tax was levied on the three classes into which the population was divided: the rich class paid 48 dirhams at the end of every month; the middle class paid 24 dirhams; and the poor bore a tax burden of 12 dirhams. A

<sup>1</sup>Altamira, *op. cit.*, vol. i, p. 278.

<sup>2</sup>Colmeiro, *op. cit.*, vol. i, p. 197.

<sup>3</sup>Altamira, *op. cit.*, vol. i, p. 278.

general property tax based mainly on land was also levied; the land owners, besides paying personal tributes, paid 20 per cent of the products of their land. The fiscal policy of the Moors provided for a system of exemption; women, children, ecclesiastics, cripples, blind persons, invalids, and mendicants were spared from paying taxes.<sup>1</sup> In the early days of Moorish rule the cities and towns which resisted the arms of the Moslems paid 20 per cent of their profits, and those that surrendered peacefully were required to pay only 10 per cent of their profits. With the passing of time the tributes increased, the greater part of the burden being borne by the Jews and Christians who paid 20 per cent of their products, the believers of the Moslem faith paying only 10 per cent.<sup>2</sup> The Moors settled down to devote themselves to the arts of peace and the pursuit of happiness, developing agriculture and promoting trade and industry, a more equitable rate of taxes was established. The principal tax was levied on the products of the soil, 10 per cent of which was paid to the Treasury. Other industries besides agriculture also shared in the support of the state: the herders paid 10 per cent of their income, and the products of industry as well as the profits of trade were charged 10 per cent. The charging of high taxes, as we shall see later, was not confined to the Christian monarchs. The Caliphs also fixed a high rate of taxation, but the prosperity of the country enabled the people to contribute generously to the support of the government.

The customs duties, as we have already pointed out, constituted no small proportion of the revenue of the state. The Moors charged duties on goods imported and exported, known respectively as *almojarifazgo* and *almojarifes*. According to Jose Canga Arguelles, the Moors charged 15 per cent import duties on silk and wool; 10 per cent on plain silk; 11 per cent on materials

<sup>1</sup>Colmeiro, *op. cit.*, vol. i, p. 204.

<sup>2</sup>Piarnas Hurtado, *op. cit.*, vol. ii, pp. 56-58.



mixed with gold and silver; and 13 per cent on all other goods.<sup>1</sup>

The revenues of the caliphs during the height of their power and glory amounted to 12 million "mitacles" of gold excluding the tax of 10 per cent on all the products and profits of agriculture, industry, and commerce.<sup>2</sup> The tone of exaggeration which often characterized the Arab authorities should caution one to accept their calculations with reservations; but after everything has been said and done, their marked superiority and the more prosperous state of industry and trade under them as compared with conditions under the Christian princes afford an explanation if not a proof of their claim to great riches.

### III. *Christian Spain*

The economic life of that part of Spain under the Christian princes and nobles could not compare with the standard of prosperity and economic activity set up by Moslem Spain. Industry under Christian rule was shackled by the institution of slavery and serfdom in spite of the provisions of the laws, morals, and religion to the contrary. Domestic service and manual labor of all kinds were reserved to slaves and serfs who were inseparably tied to the estates of the nobility. Manual labor was considered beneath the dignity of the freeman, while trade was looked upon as a vile profession in which the nobles refused to engage. Wealth was principally in the form of land, although trade and industry were beginning to attract the people who lived in the cities. The feudal economy in which the lord had civil and criminal jurisdiction over his vassals predominated. The territory reconquered from the Moors was divided among the nobles as a prize for loyalty and service to the king. The clergy had a part in the conquered territory, and received a status equal to that of the nobility. In spite of the heavy toll of human lives exacted by the wars

<sup>1</sup>Canga Arguelles, *op cit.*, art. *Almojarifazgo*, vol. i, p. 79.

<sup>2</sup>Colmeiro, *op. cit.*, vol. i, pp. 208-209.

and by the famine and epidemics so common throughout Europe during the Middle Ages, the population of Spain at the close of medieval times numbered about ten million souls.<sup>1</sup>

Agriculture in the reconquered territory did not progress so rapidly as in the Moslem region. The continuous wars of the reconquest divided the attention of the nobles between their estates and the pursuit of war so agriculture was left almost entirely in the hands of serfs. Among the agricultural products were wheat, rice, barley, oats, millet, honey, and wax, besides a number of fruits and cotton. Among the domestic animals were cattle, horses, asses, sheep, hogs, mules, and goats. The progress of agriculture was hindered by a number of causes. It was subjected to a system of regulations: the prices of products and wages were arbitrarily fixed by the lord; the sale of agricultural products was under governmental supervision. Provinces which suffered from a lean year could not enjoy and share the abundance of other regions; each province was an independent economic entity. The poor means of transportation, the heavy and excessive road tolls, and the internal duties common throughout the countries of Europe in medieval times hindered the movement of crops from the place of production to the market. But the most important hindrance to the cultivation of the soil were the extensive privileges granted to herdsmen whose interests were very strongly represented by an association of all the sheepowners, called the *Mesta*.<sup>2</sup> Herding is generally considered by the foremost authorities on husbandry as a supplement to tillage of the soil, and these two occupations are regarded as aspects of agriculture as a whole. In Spain, however, herding predominated and was opposed to tillage.

Agriculture did not flourish in Spain until after the breakdown of feudalism, when civil liberty as well as property rights were restored to the great mass of the people. The Catholic Church,

<sup>1</sup>Colmeiro, *op. cit.*, vol. i, p. 239.

<sup>2</sup>The most scholarly study of the origin and growth of the *Mesta* is made by Julius Klein in *The Mesta; a study in Spanish economic history 1273-1836*, Harvard University Press, Cambridge, 1920.



to its credit, was instrumental in the revival of agriculture. The clergy, like the nobility, owned big estates which they turned into fruitful gardens, and the monks made the tyranny of the period more bearable by teaching the population the cultivation of the soil. By their examples of honesty and patient economy the great mass of the poor were inspired to greater endeavor.

Industry, like agriculture, did not attain a high degree of development even during the heyday of Spain. The absence of personal liberty, together with the disdainful attitude toward manual labor, retarded the progress of the arts and industries as well as of agriculture. There were a number of dishonorable professions whose members were incapable of holding public office, and, as in other European countries, the guilds closed their doors to them.<sup>1</sup> The practice of fixing wages by public authorities, which began in the cities and later spread throughout the country, militated against industrial progress. No less obnoxious were the crippling taxes imposed on the laborer, the misguided regulations to which manufactures were subjected, and the sumptuary laws of the kings calculated to curb luxury but which had the effect of limiting demand, thereby checking the enthusiasm to exert greater productive effort. The teachings of the canonists and moralists, which retarded rather than promoted industrial application, were deeply rooted in Spain.

Furthermore, during this period, the guilds exercised a strong influence over the life of the laborers and artisans. The guilds in Spain, similar to those of other countries, flourished in the towns,<sup>2</sup> controlling the production as well as the sale of goods. It was the ancient custom of the Moors and the Christians to distribute the different trades by streets or localities and sections, a tradition that has been handed down to modern times. A number of the trades fell under the control of the guilds, viz.: shoe-

<sup>1</sup>"En Aragon Pedro IV ordena que los herreros y curtidores que quisiesen entrar en suerte para los cargos de república, hubiesen de abandonar un año antes sus profesiones", Colmeiro, *op. cit.*, vol. i, p. 309.

<sup>2</sup>*Ibid.*, vol. i, p. 315.

makers, carpenters, stone-cutters, butchers, tanners, bakers, and silversmiths.<sup>1</sup> Of all the kingdoms that composed medieval Spain, Cataluña was the most advanced industrially; in Barcelona, about 1200, there were shoemaker and clog-maker guilds; in 1211, stone-cutter and mason guilds; in 1255, weavers' guilds; and later, the potters, wool-dressers and dyers, cuirassiers, coppers, and blacksmiths also formed themselves into guilds. In 1257 a municipal council, composed of one hundred of the masters in the different guilds, was organized for the purpose of settling disputes in the organization.<sup>2</sup>

Domestic and foreign trade did not reach any considerable development before the end of the twelfth century. Internal trade was in the hands of the feudal lords and the nobility who controlled medieval economic life. The cities and the towns were the principal trade centers and the home of the merchant guilds. The periodic fairs held in several big cities were an important feature of internal trade in medieval Spain. The Catholic Kings began to take an active part in the promotion of trade by the middle of the thirteenth century and in 1254 Alonso X ordered two fairs to be held every year in the city of Seville, each one to last for a period of thirty days. By the end of the century the same monarch accorded a number of privileges to traders, whom he considered a part of the state worthy of the solicitude of the government.<sup>3</sup> Foreign traders were invited to attend these fairs, and they were afforded protection equal to that given the native merchants. They were shielded from the abuses of the tax collectors and they were permitted to introduce any kind of goods provided they paid the customs duties required at the ports. The Cortes of Valladolid in 1312 petitioned the king that no trader should be molested in the fairs and markets on the pretext of confiscating forbidden goods (*cosas vedadas*).<sup>4</sup> Under these favorable condi-

<sup>1</sup>Altamira, *op. cit.*, vol. i, p. 320.

<sup>2</sup>Colmeiro, *op. cit.*, vol. i, p. 317.

<sup>3</sup>*Ibid.*, p. 335.

<sup>4</sup>*Ibid.*, p. 339.

tions the trading towns grew prosperous and the population increased. The fairs and markets of Cataluña were active and were visited by foreign traders from across the Mediterranean; Barcelona was the chief trade center and one of the richest cities of the Middle Ages.

What has been said about the drawbacks and hindrances to the progress of agriculture and industry was also true in the case of trade. Price fixation by public authority, as we have already observed, was not very encouraging to producers or to the merchants who relied mainly on profits for their reward; the same monarch, Alonso X, who was regarded as a benefactor of the traders issued an ordinance in 1252 fixing the price of various articles including the price of money.<sup>1</sup> The kings and magistrates were the arbitrators concerning the abundance or scarcity of provisions. Transportation was very difficult and insecure because of the incursions of robbers and brigands who infested the highways as a result of the continuous wars and because of the lack of a strong central government. Taxes and tolls fell heavily on goods transported from different places, and each province erected tariff barriers and fixed customs duties according to its own rate, goods from one locality being considered foreign in another.

Trade began to develop rapidly towards the end of the thirteenth century and new markets were discovered in addition to those in the regions around the Mediterranean. Even before the thirteenth century, Great Britain had had trade relations with Galicia, and Biscay, in the northern part of the Peninsula, nearest the British Isles. "Early in the Middle Ages Cordoba acquired a wide reputation for the leather which its craftsmen prepared from goats' skins, and the manufacture, which afterwards spread to Barcelona, northern Spain and Provence, supplied one of the main articles of commerce at the Champagne fairs. . . . At the end of the 13th century the merchants of northern Spain or their

<sup>1</sup>Colmeiro, *op. cit.*, vol. i, p. 361.

agents visited London and the English fairs with great regularity, and the leading cordwainers or skinnners of London gave them 'shipping orders', and received credit for sums of from £30 to £75."<sup>1</sup> The British traders returned the visits of the Spanish merchants and also attended the fairs held in the northern part of Spain, while ships from Flemish countries, England, France, and Italy frequented the ports of Andalusia.

Cataluña was the most progressive kingdom in the Peninsula during the Middle Ages in so far as foreign trade was concerned. Barcelona, the largest city of Cataluña, had a flourishing foreign trade and, as early as 1150, the city was visited by merchants from Greece, Piza, Genoa, Sicily, Alexandria, and Palestine.<sup>2</sup> After the eleventh century Barcelona claimed to be the most commercial and richest city of Christian Spain, and one of the foremost in Europe.<sup>3</sup> "By the thirteenth century Barcelona had reached a degree of commercial prosperity rivalling that of any of the Italian republics. She divided with them the lucrative commerce with Alexandria; and her port, thronged with foreigners from every nation, became a principal emporium in the Mediterranean for the spices, drugs, perfumes, and other rich commodities of the East, whence they were diffused over the interior of Spain and the European continent. Her consuls, and her commercial factories, were established in every considerable port in the Mediterranean and in the north of Europe. The natural products of her soil, and her various domestic fabrics, supplied her with abundant articles of export. Fine wool was imported by her in considerable quantities from England in the fourteenth and fifteenth centuries, and returned there manufactured into cloth; an exchange of commodi-

<sup>1</sup>Unwin, *Studies in Economic History* (London, 1927), p. 111.

<sup>2</sup>Sempere y Guarinos, *Biblioteca Española Económico-Política* (Madrid, 1801-21), vol. ii, p. 20.

<sup>3</sup>*Ibid.*, p. 19. See also Depping who asserts that Barcelona possessed "toutes les institutions qui caractérisent une ville de commerce maritime du premier ordre", *op cit.*, vol. i, p. 244 "Barcelone fut, pendant le moyen âge, plutôt l'entrepôt des marchandises étrangères; les Européens y Trouvaient les denrées du Levant; on en exportait par l'Orient les denrées et marchandises de l'Europe", *Ibid.* p. 265.

ties the reverse of that existing between the two nations at the present day (1864). Barcelona claims the merit of having established one of the first banks of exchange and deposit in Europe, in 1401; it was devoted to the accommodation of foreigners as well as of her own citizens."<sup>1</sup>

By the thirteenth century trade had become a business of the state, Spain having followed the examples of the Hanseatic League and the Italian republics. The progress of foreign trade continued during the fourteenth and fifteenth centuries, and other cities such as Seville and Cadiz were rapidly forging ahead. The discovery of America enhanced the advantages of these two trade centers, especially Seville which became the clearing house for all the goods of the New World and of the rest of Europe. The progress of foreign trade encouraged shipping. The Mediterranean continued to be the chief center of navigation, and Barcelona the chief port. The maritime laws of Barcelona were among the oldest in all Europe and its naval code was followed as a model by the other maritime countries bordering on the Mediterranean.<sup>2</sup> The Catholic Kings encouraged the building of ships, granting subsidies and prizes to shipbuilders of all vessels built exceeding a certain size.<sup>3</sup> By an edict of 1454 the principle of protection was applied to the merchant marine of Aragon, a kind of navigation act which antedated the famous English Navigation Act of 1660 by two centuries.<sup>4</sup> The spirit of this scheme was suggested by the Italian republics which had long before adopted a policy of protection and monopoly of trade.

The discovery of America gave new impetus to the industrial activity and trade of the Peninsula. There was a demand

<sup>1</sup>Prescott, *History of the Reign of Ferdinand and Isabella* (Philadelphia, 1864), vol. i, Intro. pp. cxi-cxxii.

<sup>2</sup>Sempere Guarinos, *op. cit.*, vol. ii, p. 21.

<sup>3</sup>In 1495, the Catholic Kings granted an emolument of 10,000 maravedis for every 100 tons to all those who constructed ships of not less than 600 tons, so that the owner of a 600 ton vessel received 60,000 maravedis; of a 700 ton vessel, 70,000 maravedis and so on in the same proportion. See Colmeiro, *op. cit.*, vol. i, p. 398.

<sup>4</sup>*Ibid.*, p. 399.



for manufactured goods by the colonies, and the factories of Spain supplied this very extensive market. The old methods of manufacture, especially of weaving, were improved, the Cortes passing beneficent legislation to encourage industry. During the reign of Charles V there were in operation from 15,000 to 16,000 looms of all kinds with 130,000 weavers in the city of Seville, the silk looms alone numbering 3,000 with 30,000 laborers.<sup>1</sup> The same degree of prosperity existed in other cities. The production of coarse wool was the most important industry in Spain in early modern times. In 1512 Spain exported 50,000 quintals of wool; in 1557, 150,000 quintals; in 1610, 180,000 quintals.<sup>2</sup> It has been claimed that the people of Toledo, Segovia, Cuenca, Seville, and other cities lived on the woolen and silk industry.<sup>3</sup>

Besides the textile industries, other trades flourished, namely: the leather industry in Ibiza; soap manufacturing in Triana, Ocana, and Yepes; the glove industry, whose products were known all over Europe; pottery which prospered in the southern part and the Levant; salt production which simultaneously sent 50 to 60 ships all over the world from the port of Santa Maria alone; the silk-worm industry, which was found in Andalusia and Murcia; goat-skin industry in Toledo and Cordova, famous in England during the Middle Ages; the manufacture of harness and trappings; and the manufacture of furniture in Torrellas and Aragon. The fishing industry also was considerable, with whale fishing famous in the north and northwest and the coast of the Mediterranean known for dried and salted fish of all kinds. With increased production, trade prospered as never before.

#### IV. *Finances of the Catholic Kings*

To some extent the tributes imposed by the Moors were continued by the Catholic Kings. The tributes and taxes of the dif-

<sup>1</sup>Altamira, *op. cit.*, vol. iii, p. 438.

<sup>2</sup>*Ibid.*, p. 442.

<sup>3</sup>*Ibid.*, p. 349.

ferent kingdoms that composed medieval Spain were similar in nature and kind; differences there were, but only in name. The chief characteristic of the tributes in the Middle Ages was the glaring violation of the principles of equality and universality; the burden fell heavily on the poor while the nobles were exempted. To pay tributes or other public contributions was an indication of low birth, the chief mark distinguishing the plebeians from the nobility.

Most of the medieval tributes were temporary in character and the burden was abandoned as the purpose for which it was created was achieved. An analysis of these contributions reveals the state of the society on which they were imposed, the tributes required of the Spaniards showing a community in a state of continuous warfare in which there was a sharp division between the classes of the population. Among the more important tributes charged were the *anubda*, a payment to the messenger of the king who had charge of organizing the people for war; *fonsadera*, a war contribution paid in money or in military service; *fossataria*, an obligation to work in the repair of forts; *facendera*, personal service in repairing roads and bridges; *calumnia*, a fine imposed on the town in which murder was committed; *urcion*, payment made by the farmers to the landlord; *mincio*, right of the lord to a head of the livestock when one of the vassals died; *maneria*, a tribute paid to the master from the property of the vassal who died without heirs; *montazgo*, a contribution paid by the owners of livestock for the right to pass to other places to graze during the winter;<sup>1</sup> *chapin de la reina*, an extraordinary service paid by the towns during the royal weddings; *moneda forera*, a poll tax paid in recognition of real lordship; *tercias reales*, one-third of the 10 per cent tax charged by the Pope and collected by the church to pay the expenses of the war against the Moors; *sisa*, a tax on consumption introduced by Sancho IV in Castile

<sup>1</sup>Klein, *op. cit.*, pp. 163-166.



to meet his extra expenses; *ferrerias y salinas*, a tax on iron-works and salt-works; *martiniega y marzaga*, a tax paid on St. Martin's day; *santa cruzada*, tributes to support the war against the infidels, paid by the Christians who received in return the grace and mercy of the saints; *diezmos*, one-tenth of the products of the land, a tax continued from Moslem times, but later paid by the towns under the Catholic Kings; *portazgo*, road tolls; *capitacion de los moros y judios*, a poll tax on the infidels, the Moors and the Jews; and the most burdensome *alcabala*, a 10 per cent tax on the sale of goods.<sup>1</sup> There were also the *aduanas* or customs duties which constituted a very lucrative source of revenue for the Catholic Kings.

The administration of the system of tributes and taxes was fraught with abuses and frauds, the greater amount of the revenues never reaching the king's coffers. The tax collectors and the farmers benefitted by their privileges and the position of tax gatherer was much sought. The officials entrusted with the collection of the revenues looked upon their position as an occasion to repair their private fortunes at the expense of the king and the rank and file of the tax-payers, recruited mainly from the poor. The tributes were either farmed to private contractors or were collected under state administration. The wealth and recognized financial genius of the Jews placed them in an advantageous position in administering the king's revenues. In the main all the tributes of Spain during the Middle Ages possessed the character of tributes in a feudal economy; and in most cases the lucrative prerogatives of the kings were mortgaged to meet their insatiate demands for money.

<sup>1</sup>Canga Arguelles, *op. cit.*, art. *Rentas*. See also Piernas Hurtado, *op. cit.*, pp. 40-56; Colmeiro, *op. cit.*, vol. i, pp. 466-472.

## CHAPTER II

### SPAIN IN DECLINE

Spain attained the height of its prosperity and affluence during the reign of Ferdinand and Isabella, but with their passing began to tread the path of decline. After the war against the Moors was over and the people had settled down and devoted themselves to agriculture, industry, and trade, cementing the foundations of a united Spain, there began an era of unequalled prosperity which, however, reached its peak too fast to continue for long.

#### I. *Population*

One of the striking features of this decay was the decrease in the population. In 1482, ten years before the discovery of America, Spain was inhabited by ten million souls; in 1492, after the expulsion of the Jews, there were 9,800,000. A century after the discovery of the New World, in 1594, the population had shrunk to eight millions and by 1610, after the expulsion of the Moors, the population had declined to 7,500,000.<sup>1</sup> The writers who have treated the problem of the depopulation of Spain have assigned various causes, the most important being the incurable laziness and indolence of the Spaniards which prevented their developing their agriculture to a stage sufficient to maintain their population, the external wars in which Spain was continuously engaged, the emigration to the Indies, the heavy tributes and taxes, the excessive number of ecclesiastics and religious communities, and the expulsion of the Moors. Various writers have observed that it was

<sup>1</sup>Colmeiro, *op. cit.*, vol. ii, p. 13. See also Bernard Moses, "The Economic Condition of Spain in the Sixteenth Century" in the *Journal of Political Economy* (1892-1893), vol. i, pp. 513-534.

very common in Spain to beg for bread from door to door, to prefer a life of vagrancy to a useful occupation. That the habits of indolence and shiftlessness had already attracted wide attention in the fourteenth century is shown by a law requiring the *alcaldes* of the several towns to compel persons under their jurisdiction to work.<sup>1</sup> The Cortes tried on several occasions to remedy the evil by legislation but to no avail. Bodin, writing in the sixteenth century, ascribed to the Spaniards an excessive indolence except in war and trade.<sup>2</sup> Other writers have been less sparing in their criticisms: "Every tradesman and manufacturer sought only to make enough money to enable him to live on the interest of it or to establish a trust fund for his family. If he was successful he either entered a cloister or went to another province in order to pass for a noble."<sup>3</sup> And, the same writer continues: "Nowhere in the world were there so many nobles, so many officers, civil and military, so many lawyers and clerks, priests and monks, so many students and school-boys, with their servants. But as truly nowhere in the world were there so many beggars and vagabonds."<sup>4</sup> It was estimated that in 1779 there were 200,000 vagabonds who lived by begging and two millions more who were loafing because of lack of work or because of sheer love of indolence.<sup>5</sup>

Besides poverty and extreme wretchedness as a cause of depopulation, there were thousands of faithful and devoted subjects who laid down their lives in foreign wars. They were carried by the thousands every year to the Indies, Italy, France, Flanders, and Africa. The love of adventure and the desire to improve their private fortunes, a privilege that was denied them in their own country, lured thousands of people to settle in the newly discovered lands. Although emigration to the colonies was in great

<sup>1</sup>Moses, *op. cit.*

<sup>2</sup>*Ibid.*

<sup>3</sup>Roscher, *The Spanish Colonial System* (New York, 1904), p. 3.

<sup>4</sup>*Ibid.*, p. 4.

<sup>5</sup>Ward, *Proyecto Economico* (Madrid, 1762), p. 399.

favor among the Spaniards it cannot be advanced definitely as a cause of depopulation. The experience of England and Holland has proved that emigration does not depopulate a kingdom to the extent of causing a serious lack of hands for industries. Uztariz, writing in 1724, denied the validity of this argument as an explanation of the depopulation of Spain; he claimed that although Cantabria, Navarre, Asturias, Burgos, and Galicia sent the greatest number of emigrants to the Indies these provinces were the most populous in the kingdom.<sup>1</sup> The excessive tributes and taxes were undoubtedly one of the principal reasons for depopulation and the decline of the art and industry in the Peninsula. The laborers who could hardly earn their bare necessities must certainly have groaned under the heavy tributes imposed on them. The *alcabala*, a tax on every sale of goods, and other equally burdensome taxes forced the great majority of the laboring poor to join the ranks of the shiftless class and abandon their homes and their work.

The great number of the clergy and members of religious orders has been advanced as another explanation for the depopulation of Spain. It has been claimed that more and more people were seeking refuge under monastic protection by the expedient of taking holy orders as this was the best insurance against the wretched life of the layman. We read that in 1768 there were 149,805 ecclesiastics excluding the servants and subjects of the different orders.<sup>2</sup> The expulsion of infidels and all non-believers in the Catholic faith, the Jews and the Moors, offers a further explanation of the decrease of the population. The fire of religious bigotry and intolerance was not completely extinguished even with the virtual subjugation of the Moors. The Jews had been — the target of unjustified attacks and discrimination by the Christian population long before the Saracens of Africa invaded Spain. Their persecution can be attributed not only to differences in re-

<sup>1</sup>Uztariz, *Theorica y Practica de Comercio, y de Marina* (Madrid, 1742), cap. xii, p. 21.

<sup>2</sup>Colmeiro, *op. cit.*, vol. ii, p. 53.

ligion, but also to their financial genius which took the trade from the natives.<sup>1</sup> In 1492 the decree of expulsion of the Jews was issued, depriving Spain of its most intelligent and thrifty population.<sup>2</sup> After the expulsion of the Jews, the Moors inherited the unjust treatment meted out by the Christian nobles. They suffered forced conversion to the Catholic faith and were not allowed to worship according to their own religion. In 1609, after all efforts to discipline the Moors had failed, the decree of expulsion was issued which brought a further decrease of between 200,000 and 300,000 in the population.<sup>3</sup>

— The consequences of the expulsion of these "vulgar, stupid, and barbarous" but industrious and thrifty people cannot be overestimated. The districts from which the Moors were expelled became in a short time uncultivated and depopulated, the flourishing condition of agriculture, due largely to their methods having passed away with their expulsion. A few years after the expulsion of the Moors a commission entrusted with the task of proposing a remedy for the decadent state of the country made the following observation: "The depopulation and want of people in Spain at present is much greater than ever before in the reigns of any of your Majesty's progenitors; it being in truth so great at this time, that if God does not provide such a remedy for us as we may expect from your Majesty's piety and wisdom, the Crown of Spain is hastening to its total ruin; nothing being more visible than that Spain is on the verge of destruction, its houses being in ruins everywhere, and without anybody to rebuild them, — and its towns and villages lying like so many deserts."<sup>4</sup> The absence of the Moors was felt not only in agriculture; it also af-

<sup>1</sup>Lea, *The Moriscos of Spain* (Philadelphia, 1901), p. 12.

<sup>2</sup>Estimates as to the number expelled vary. Colmeiro puts the figure at 160,000, *op. cit.*, vol. ii, p. 57. Lea estimates that 165,000 were expelled; 50,000 baptized to escape expulsion; 20,000 died.

<sup>3</sup>Cf. Lea, *op. cit.*, p. 359. For other calculations see especially Geddes, *Miscellaneous Tracts* (London, 1830), vol. i, p. 161; Colmeiro, *op. cit.*, ii, p. 63.

<sup>4</sup>Geddes, *op. cit.*, vol. i, p. 163.



fecting the country financially, the removal of their tributes meaning a great loss to the treasury. The revenues of the king, of the nobles and of the church suffered irreparable losses not only because of the diminution in the number of tax-payers but also because of the decay of agriculture and industry, the great sources of social wealth.<sup>1</sup>

## II. *Agriculture*

Agricultural progress was marked during the later part of the Middle Ages and in the beginning of modern times. The Catholic rulers, Ferdinand and Isabella, demonstrated great solicitude over the development of tillage, freeing the farmer from the shackles of feudal aristocracy. These benevolent monarchs encouraged the conservation of forests, protected the cultivated gardens and plantations from the incursions of herdsmen, and facilitated the distribution of products; their passing marked the beginning of the troubles of the farmers whose lamentations, first heard in 1523, became louder and louder through the succeeding centuries. A system of regulation which crippled the farmers was adopted. There was such a general decay in tillage that most of the Spanish writers attribute the decadence of the country to this cause alone, failing to recognize the root of the whole trouble.

The lack of farm hands was made manifest by the great influx of foreign farm laborers, mostly from France, who came during the planting season and returned to their homes after the harvest. To cultivate the land left by the Moors the state rented it to tenants and part of the vacated area was cultivated under administrative supervision. Finding this expedient to be inadequate, the state resorted to colonization towards the close of the sixteenth century. About 12,542 families were encouraged to occupy and cultivate the land through the government's giving to each family a house with a certain area devoted to the cultivation of vines or

<sup>1</sup>Lea, *op. cit.*, pp. 168-169.

sugar cane, as the case might be, with the obligation to live there and cultivate the land directly.<sup>1</sup> The difficulty of irrigating the fields was a great handicap to cultivation since the crops were dependent upon the weather which in most cases was not altogether favorable. A system of irrigation had been introduced by the Moors but it soon disappeared after their expulsion. The poor means of communication rendered the distribution of products difficult if not almost impossible except by means of the rivers which were partly navigable. The Spaniards remained in a large measure satisfied with beasts of burden as a means of transportation, a satisfaction which persists even to this day.

The government paid very slight attention to agricultural development. Preoccupation with foreign wars left very little time for domestic affairs. There were large tracts of uncultivated and fertile land that awaited the farmer and his plough, but the lack of tenants prevented the bringing of large areas into fruition. One-third of Estramadura was untouched by a plow, and there were extensive areas of idle land in Aragon and Castile.<sup>2</sup> The lack of a sound public land policy, moreover, prevented the successful utilization of extensive natural resources, and toward the end of the fifteenth century the forests were being rapidly denuded of trees, the government assuming a passive attitude to this ruthless exploitation of a potential source of wealth. Ferdinand and Isabella took wise steps to conserve the forests of Medina del Campo with a view to having a ready supply of timber for the construction of needed stores and warehouses on the occasion of the fairs. Succeeding monarchs, however, failed to learn the wisdom of their example, and the Spaniards were disposed to plunder rather than to husband the resources of the country. The forests were sacrificed to provide pasture lands for the goats and sheep.

But the most important cause of the decadence of tillage was the dominance of the *Mesta*. As we have already pointed out

<sup>1</sup>Altamira, *op. cit.*, vol. iii, p. 454.

<sup>2</sup>Colmeiro, *op. cit.*, vol. ii, p. 128.



numerous powers and privileges that were very annoying to the farmers were granted to this powerful organization to the great prejudice of tillage.<sup>1</sup> Some of the Spanish politicians offered a strong defense in favor of herding. Miguel Caja de Leruela, writing in 1732, asserted that the sheep is the symbol of providence to Spain,<sup>2</sup> and attributed the failure of the tributes and taxes, the lack of population, laziness, and other calamities in Spain to the decadence of herding.<sup>3</sup> The one remedy he proposed to restore the former abundance in Spain was the granting of more extensive privileges to herding;<sup>4</sup> he claimed that livestock was a better form of wealth than gold or silver. It can be said that he was nearer the truth than most of the politicians of his time. Herding, an ancient occupation in Spain, attained its greatest prosperity during the Middle Ages when the *Mesta* was organized. It has since become one of the most important occupations of the people employing a large army of shepherds. Uztariz claimed that about the first quarter of the eighteenth century the shepherds in Spain numbered about 50,000 souls.<sup>5</sup> Another proof of the importance of herding may be gleaned from the number of heads of sheep raised. In 1556 the *Mesta* produced 7 million heads.<sup>6</sup>

### III. *The State of the Industries*

Evidences of stagnation and decay in Spain were manifested not only in the decreasing population and in the deserted farms but also in the manufacturing industries. The progress of the

<sup>1</sup>Klein, *op. cit.*, pp. 318-320.

<sup>2</sup>Caja de Leruela, *Restauracion de la Abundancia de España* (Madrid, 1732), p. 6.

<sup>3</sup>"La causa de tanto numero de Labradores, que en estos tiempos vemos mendigando por los caminos, y poblados, es, que como no tienen ganados, que guardar, despues que han perdido las fuerzas para el arado, y azada, en llegando á los quarenta y cinco, ó cinquenta años, quando se hallan quebrantados, y envejecidos del trabajo de la labranza, son forsados á salir de sus Aldeas á mendigar, por no morir de hambre en ellas", *Ibid*, p. 243.

<sup>4</sup>*Ibid*, pp. 212-213.

<sup>5</sup>Uztariz, *op. cit.*, cap. xi, p. 21.

<sup>6</sup>Altamira, *op. cit.*, vol. iii, p. 442. Cf. Klein, *op. cit.*, pp. 26-27.

industries which we have noted during the early years of modern times did not last very long. A few decades after the discovery of America, industries were on the decline. The first signs of the decadence of cloth manufacture were noticed in Valladolid in 1537 when the merchants complained of the rising price of cloth.<sup>1</sup> The Cortes complained of the poor quality of the cloth manufactured in Spain in this same year, and the complaint was repeated in 1542 and 1548, and still later in 1552.<sup>2</sup> Because of the poor quality of the native cloth, foreign manufactured materials were imported in increasing quantities and were preferred and more highly esteemed than those made in the country. From the middle of the sixteenth century, the decay of manufactures became very rapid, and the advisers of Philip II complained in 1558 that Spain did not possess any industry worthy of the name. The downward movement continued through the seventeenth century and in 1620 Philip III formed a council to inquire into the causes of the prevailing decay. The findings of this body revealed the fact that the introduction of foreign made cloths and other goods was the principal cause of Spain's misery.<sup>3</sup> The competition of these foreign goods proved to be strong, and the once flourishing industrial cities and centers were deserted, their activity being confined to the manufacture of cloths made of coarse materials.

During the seventeenth century industrial conditions took a decided turn for the worst. The Spaniards were mere laborers in most of the manufacturing industries while the masters, especially those in the mechanical arts, were imported from Flanders, France, and other countries. The weaving trade suffered numerous drawbacks, there was a lack of hands, and misery was widespread. The Cortes were flooded with petitions asking for much needed legislation to remedy the existing situation. In 1679 Charles II endeavored to attract foreign artisans to Spain by

<sup>1</sup>Colmeiro, *op. cit.*, vol. ii, p. 186.

<sup>2</sup>Altamira, *op. cit.*, vol. iii, p. 445.

<sup>3</sup>Colmeiro, *op. cit.*, vol. ii, p. 190.

means of various inducements,—giving them subventions for a number of years and exempting them from numerous personal services and from the payment of some of the taxes.<sup>1</sup>

A number of causes contributed to the decline of the industries of Spain. The country suffered from so many calamities that it is very difficult to disentangle cause and effect. In a certain sense, the discovery of the New World was a blessing to the industries, but it is equally true in another sense that it was a curse. The greed for the gold of the Indies lured the Spaniards to abandon their industries at home and to embark on a life of adventure in the newly discovered lands. They were led by the idea that gold is the best form of wealth, failing to realize that gold in itself cannot satisfy human wants except through what may be acquired in exchange for it.

The rising price level in Spain as a result of the influx of gold and silver from the Indies brought about a rise in wages. A rise in wages means a rise in the cost of production of goods, and other countries which had lower price levels, such as England, France, and Holland, could easily compete with Spain and they eventually drove Spanish goods from the domestic and foreign markets. Gold to the Spaniards was a two-edged sword to be handled with care. The abundance of the precious metal in Spain made the country rich temporarily, but it also spelled ruin in the long run in the form of a higher price level.

#### IV. *Domestic and Foreign Trade*

Spain easily took rank with the richest and most progressive nations in the fifteenth and sixteenth centuries. Most of its wealth was made through the medium of trade. Internal trade flourished among the cities, with Seville, Cadiz, Burgos, Toledo, Medina del Campo, Barcelona, Bilbao, and San Sebastian, the most important centers. As in medieval times, the distinguishing feature of do-

<sup>1</sup>Altamira, *op. cit.*, vol. iii, p. 445.

mestic commerce was the celebration of fairs, the most famous being those celebrated in the city of Medina del Campo.

The discovery of America wrought radical changes in the classes of the population, and a rich and prosperous commercial class rose to challenge the preeminence of the landed proprietors who had theretofore been most influential. There was a shifting of economic interest from the land to trade and even the nobility, who kept aloof from trade, followed the example of a fast growing trading class who made their fortunes overnight. With the progress of trade the spirit of protection grew stronger, and the king was petitioned on numerous occasions to prohibit the introduction of foreign goods into the country. But internal trade was shackled by regulations, customs and port duties, the practice of price-fixing, and the lack of adequate means of communication and transportation. There was no free competition because of the influence of gigantic and monopolistic trading bodies which were the recipients of royal favors and privileges. The internal customs duties were the greatest obstacle to internal traffic and there was in consequence no free exchange between the different localities.<sup>1</sup> In addition to these obstacles trade suffered from the medieval notion regarding usury which, with the beginning of the modern era, was finding strong adherents. Usury was at that time, however, still generally considered as contrary to natural and divine laws, and the sterility of money was still insisted on with the same degree of sincerity and zeal as in the days of the medieval Church Fathers. Fr. Tomas de Mercado who, writing in 1569, condemned usury and dealing in exchange exerted a very strong influence on a people very much given to religious doctrinarianism.<sup>2</sup> Spain adhered tenaciously to most of the medieval practices and beliefs which no longer applied to existing conditions.

<sup>1</sup>Ward, *op. cit.*, p. 147. See also Saavedra, *Idea de Un Principe Politico-Cristiano*, Empresa, lxviii, *Biblioteca de Autores Españoles* (Madrid, 1863), vol. 25.

<sup>2</sup>Mercado, *Tratos y Contratos* (Salamanca, 1569), pp. 122, 130.

The foreign trade of Spain during the sixteenth century took three directions: trade with America principally through Seville and later on through Cadiz; trade with northern Europe particularly with the Flemish countries; and trade with the Mediterranean region. The preponderance of trade during this period, however, was carried on with the New World. The trade policy of Spain at this time was characterized by emphasis on and strict adherence to the prohibitive system. The policy of restricting the importation and exportation of commodities, which had existed even in medieval times was continued by the Catholic Monarchs, Ferdinand and Isabella, during their reign and was perpetuated by their successors. The apologist of Spain's policy explains that such a system was not adopted by Spanish sovereigns as an expedient for enriching the nation through hoarding the gold and silver of the Indies, as was frequently claimed by Spain's critics, but was rather an attempt to preserve the commercial tradition of a bygone epoch with reference to preventing prohibited articles (*cosas vedadas*) from coming and leaving the country.<sup>1</sup>

An important aspect of the foreign trade of Spain was the traffic with the colonies. Determined to reserve the colonial trade for its own benefit, Spain created the *Casa de Contratacion* to aid the Council of the Indies to supervise, manage, and regulate commercial relations with the New World. The exports of Spain to the colonies consisted mainly of manufactured articles for which they received in return vast sums of gold and silver, and small quantities of colonial produce such as hides, copper, tobacco, sugar, indigo, and cochineal. The chief feature of Spain's colonial trade was the predominance of precious metals in her imports. As to the amount of specie imported into Spain, various estimates have been given. Fernandez Navarrete estimated that from 1519 to 1617 the vast sum of 1,536,000,000 pesos worth of gold and silver entered the mother country.<sup>2</sup> Sancho

<sup>1</sup>See Colmeiro, *op. cit.*, vol. ii, p. 315 *et seq.*

<sup>2</sup>The estimates of several authors are given by Colmeiro. *Ibid*, pp. 431-434.



de Moncada claims that in the space of 103 years, from 1492 to 1595, there were brought from the Indies 2 billions of pesos in gold and silver.<sup>1</sup> Uztariz, who estimated that from 1492 to 1724 about 3536 millions of pesos came from the New World, believed that if the unregistered quantity were included, the whole would exceed 5 billions.<sup>2</sup> The actual amount imported was, however, hard to estimate as only the gold and silver that came for the king's account were registered while those belonging to private individuals, which were generally smuggled in, escaped the reckoning of the state authorities. A recent study made on this subject<sup>3</sup> throws more light on the amount of specie that found lodgment in the Spanish vaults. There was a steady increase in the import of specie from the time of the colonization of the New World up to the period covered by the decade 1590 to 1600 when the peak was reached, 13,922,672.6<sup>4</sup> pesos having been sent to Spain principally from the mines of Peru and Mexico. For the decline of specie import which began in 1600 various reasons have been advanced, the most important being an increase in interloping; a rise in the expenses of mining; a decrease in the fertility of the mines;<sup>5</sup> decimation of the labor supply by the enervating work in the mines;<sup>6</sup> an increase in the trade with the Orient; and an increase in the wealth and population of the Indies which necessitated a retention of more treasure in the colonies.<sup>7</sup>

Spain enjoyed a flourishing trade during the sixteenth century. The country exported bread and meat to Portugal, and imported silks and spices from the Orient. France sent textile fabrics of

<sup>1</sup>Moncada, *Restauracion Politica de España y Deseos Publicos* (Madrid, 1746), iii, cap. i.

<sup>2</sup>Uztariz, *op. cit.*, p. 6.

<sup>3</sup>Hamilton, E. J., Imports of American Gold and Silver into Spain, an article published in *The Quarterly Journal of Economics*, vol. 43, pp. 436-472. This study covers only the period from 1503 to 1660.

<sup>4</sup>Hamilton, *op. cit.*, Cf. Merriman. *The Rise of the Spanish Empire in the Old World and in the New* (New York, 1918-1925), vol. iii, p. 637.

<sup>5</sup>Colmeiro, *op. cit.*, vol. ii, pp. 427-428.

<sup>6</sup>Campillo y Cosio, *Nuevo Sistema de Gobierno Economico para la America* (Madrid, 1789), pp. 2-16.

<sup>7</sup>Hamilton, *op. cit.*



wool, silk and linen, wine, wheat, paper, books, and numerous articles of little value; Spain gave in return lumber, certain kinds of cloth, leather, iron, hemp, flax, wine, and oil. From the Netherlands, linen, tapestry, stationery, and silk were imported; and wool and oil were exported. To Italy the Spaniards sent cochineal, leather, and agricultural products, and received in return arms from Milan, ribbons from Genoa, satin and brocades from Florence, crude silk from Naples and Calabria, and gold and silver, lace and glass from Venice.<sup>1</sup> The prospects of trade at the beginning of the seventeenth century, however, were rather gloomy; signs of decay were noticed everywhere. Most of the politicians were agreed that the chief cause of the decline of trade was the introduction of foreign goods, Moncada asserting that the trade of foreigners was prejudicial to the country and that precious metals were carried away, leaving the country in a state of penury. He maintained also that the introduction of foreign goods had caused unemployment and vagrancy among the people.<sup>2</sup> This view was shared by a number of writers.<sup>3</sup>

The eighteenth century held no rosier hopes for Spanish trade than had the previous century. Trade was described as passive and injurious, the imports far exceeding the exports,<sup>4</sup> while politicians severely denounced trade with foreigners, accusing them of sucking the life-blood of the nation and draining the country of its precious metals. The general conclusion reached was that the introduction of foreign goods should be prohibited by means of high import duties and it was pointed out that the way to

<sup>1</sup>For a more complete list of the articles imported and exported and the different countries where commodities were sent, see Colmeiro, *op. cit.*, vol. ii, pp. 319-320.

<sup>2</sup>Moncada, *op. cit.*, disc. i.

<sup>3</sup>"Que las mercaderias estrangeras son de mucho perjuicio al Reyno, y que usando de las naturales se alentaran los que las fabrican, y podran emplear mucha gente en ellas, en hilar, y torcer la seda, la lana, y otros ministerios hasta la perfeccion de su labor, lo qual seria de mucho aumento al Reyno en su poblacion, y evitar la ociosidad, y para que no le saquen el dinero, y atraerlo de otras partes", Dormer, *Discursos Historicas Politicos* (Zaragoza, 1684), pp. 43-44.

<sup>4</sup>Uztariz, *op. cit.*, cap. ii, pp. 2-3.

improve the trade of Spain was through encouraging manufactures by a reform of the duties and taxes. The existence of too many laws and regulations, some of which had been in effect since the early Middle Ages, were, of course, partly responsible for the decline of trade. Numerous and troublesome sumptuary laws prohibited the use and importation of articles of luxury, especially silk and woolen stuffs. Philip IV and even the more enlightened Bourbons prohibited the introduction of woolen, silk, or mixed fabrics, and jewelry. The sumptuary laws of the Spanish kings applied not only to the rank and file of the population; the court also was included, the king forbidding ostentation in matters of dress among his retainers.

Trade was further handicapped by the confusion and inequality of customs duties charged at the different ports of the country. In fact there was no general rate for the entire country; each port had a different schedule.<sup>1</sup> The export and import duties, which amounted to an average of 15 per cent ad valorem, were collected in two ways, viz., through the state administration or through private contractors. Both methods were found to be unsatisfactory, although most of the politicians favored the administration of the customs by the government. When the customs duties were under state administration, dishonesty and fraud prevailed among the officials who considered the task as an opportunity for private gain; and when the duties were farmed out, the private contractors, who were mostly foreigners, discriminated against Spanish goods in favor of their own, thus rendering nugatory the regulation of the government concerning the exclusion of foreign merchandise. Moreover, the numerous commercial treaties<sup>2</sup> of long duration with foreign countries made impossible revision of the rate according to the needs of trade.

<sup>1</sup>"Mil varas de morles pagan en Cadiz 200 reales, y en Sevilla 984 y 2 mrs.; una pieza de carmesi ancho en Cadiz 32 reales, y en Sevilla 290; una pieza de felpa 40 reales en Cadiz, y en Sevilla 274 reales y 28 mrs.," Ulloa, *Restablecimiento de las Fabricas y Comercio Español* (Madrid, 1740), part. i, cap. viii.

<sup>2</sup>The *asientos* with England were disadvantageous to Spain.

Ward, who argued that the commercial treaties of Spain with other countries should be of short duration so that a reform could easily be effected, made the interesting observation that a permanent tariff arrangement is advantageous only to a country whose manufactures and commerce are firmly established.<sup>1</sup> Added to this confusion and these abuses was the demand of the clergy for immunity from paying customs duties on goods which they exported. The Council of Finance, defending the king's right to collect duties on all ecclesiastical goods traded for profit, censured the conduct of the clergy as contrary to sacred canons, and by an ordinance of the king issued on April 5, 1721, this privilege was withdrawn.<sup>2</sup>

#### V. *The Financial System*

The Catholic Kings during the latter part of the fifteenth and the beginning of the sixteenth centuries made no radical changes in the fiscal system of the Middle Ages, but continued to draw their tributes from sources that did not differ to a great extent from those of former epochs. When the House of Austria ruled Spain, however, the taxes were increased rapidly as the sources of the king's revenues were found quite inadequate to meet the growing expenses. Charles V petitioned the Cortes for more money, and new sources of revenue were created to raise the amount needed. Philip II, the prodigal of the Austrian Dynasty, finding that he needed much more money than his predecessor, not only increased the ordinary dues and taxes but also created new sources of revenue. The degree of ordinary personal service demanded was increased. Among the new sources created were: the galley duty amounting to 420,000 ducats yearly contributed by the secular and regular clergy; *el excusado* or one-tenth of one of the contributing houses in each parish; extraordinary services of all sorts; *millones* or excises which were used to

<sup>1</sup>Ward, *op. cit.*, pp. 140-142.

<sup>2</sup>Uztariz, *op. cit.*, cap. lvi, pp. 141-144.

support the army; the salt monopoly; and licenses for buying negroes in Africa.<sup>1</sup> In spite of all these additional sources, however, the treasury was found to be in severe straits and unable to meet the financial demands of the crown. There was at this time in Spain, which was in the depths of great financial distress because of the long and expensive wars in which the country had been engaged and the consequent economic depression, an insatiable demand for funds. New taxes were created and the old ones increased without a corresponding improvement of the industries, agriculture, and trade upon which taxation must necessarily be based.<sup>2</sup>

The condition of the public treasury took a decided turn for the worse during the reign of Charles II. The public coffers were empty, and the public debt, which was contracted principally from rich foreign merchants and traders, increased rapidly with no thought of redemption, but as a security for it, the taxes were pledged to contractors. The total revenue of the country in 1693 amounted to only 8 millions of ducats.<sup>3</sup>

The War of the Spanish Succession naturally added to the worries of the treasury. The finances of the country were at a low ebb and Spain needed a man well versed in the science of finance, but nobody was equal to the task. The task of the Bourbon rulers, who were faced by the problem of economic reconstruction, was made more difficult by the enormous public debt which they inherited from the House of Austria. The Bourbon kings found agriculture, industry, and commerce neglected and in a decadent state, and Spain practically reduced to the condition in which it had been in early medieval times. The solicitude of Philip V, however, soon set the country on its feet, and in 1737 the products of the revenues both farmed and under

<sup>1</sup>Canga Arguelles, *op. cit.*, vol. 5, p. 27. Cf. Piernas Hurtado, *op. cit.*, vol. ii, pp. 40-56 *et seq.*

<sup>2</sup>Beaves, *A Civil, Commercial, Political and Literary History of Spain and Portugal* (London, 1793), pp. 211-219.

<sup>3</sup>Canga Arguelles, *op. cit.*, vol. 5, p. 28.

state administration, including religious contributions, amounted to 211,007,590 reals.<sup>1</sup>

Other taxes which caused no small degree of annoyance, but which were temporary in character, were the *cientos*<sup>2</sup> which were an extension of the *alcabala* and were raised in the same manner. The first of these taxes was granted by the states in Cortes in 1624, the second in 1639, the third in 1656, and the fourth in 1664.<sup>3</sup> There was also the *servicio de milicias*, a contribution of a ducat vellon on every family in the kingdom. It used to yield 318,000 ducats a year, and was created for the support of the infantry, a part of the civil guard. This contribution, together with other taxes, was abandoned in 1724 to relieve the people of part of their burden. There were the so-called *valimientos*, a temporary suspension of pensions and grants from the crown, a deduction of some for a certain time, and an entire abolition of others. All titles had to pay a duty called *lanzas*, which was paid in the form of services, usually the services of twenty soldiers which all titled persons were obliged to furnish for the war, but commuted in 1631 to a money payment that amounted to 50 doblons a year.<sup>4</sup> The king also derived some income called *estafetas y postas* by selling the privilege of administering the post office which was subsequently administered by the crown under the care of a superintendent.<sup>5</sup> After the abolition of the privileges of the crown of Aragon and the establishment of the laws of Castile, the crown of Aragon and the kingdoms which composed it paid 2,648,000 crown vellon.<sup>6</sup> The customs duties, which were an important source of the king's revenues, in 1714 yielded 308,999,347 maravedis.<sup>7</sup>

Of all the taxes in Spain the *alcabala* was among the oldest and most burdensome. The incidence of this tax may be said to

<sup>1</sup>Canga Arguelles, *op. cit.*, vol. 5, p. 28.

<sup>2</sup>Beawes, *op. cit.*, p. 215.

<sup>3</sup>*Ibid.*, p. 216. Cf. Uztariz, *op. cit.*, cap. xix, p. 40.

<sup>4</sup>Beawes, *op. cit.*, p. 219.

<sup>5</sup>*Ibid.*

<sup>6</sup>Uztariz, *op. cit.*, cap. xix, p. 42.

<sup>7</sup>Beawes, *op. cit.*, p. 219.



fall on every seller of goods for every seller pays the tax; but the total burden cumulatively falls on the ultimate consumer. It is a very ancient tax and we first encounter it during the days of the Romans when Augustus imposed one-half of one per cent. on all goods sold. In the course of time the rate was increased to ten per cent., and later on, another four per cent. was added. In 1341 Alonso XI used the proceeds of the tax to defray expenses of the war against the Moors. In the case of trucking or exchange of goods the tax was recovered on the value of both commodities, but when there was no fixed price for the goods exchanged, the value was determined by order of a judge.<sup>1</sup> Several other taxes, such as the *cientos*, *millones*, and *tercias reales* go with the *alcabala*, and were charged in the same manner. No city, town, village, manor or officer of the king was exempted from the *alcabala*,<sup>2</sup> not even the ecclesiastics when they sold their wares.<sup>3</sup> Apothecaries were exempted on the sale of essential medicines only<sup>4</sup> but fortresses as well as the servants and immediate officers of the king were exempted.

The administration of the fiscal system was carried on in two ways; the revenues were either farmed out or collected under state administration. In later years, these two methods were used; some of the taxes were farmed and others were administered by the government. The discussion of the advantages and disadvantages of these two methods does not fall within the scope of this treatise; the present practice of nations is usually to put the administration of the taxes in the hands of the state, although in some backward countries these two methods are still in use to a greater or less extent. But in Spain, at the beginning of the modern era, there was no choice between the two; both methods were unsatisfactory, and the only possible solution was to adopt the less expensive of the two.

<sup>1</sup>Beawes, *op. cit.*, p. 211. Cf. Coxe, *Memoirs of the Kings of Spain* (London, 1815), vol. 5, pp. 379-380.

<sup>2</sup>Ley 1, tit. 18, lib. ix, *Recop. de Leyes*.

<sup>3</sup>Ley 7, tit. 18, lib. ix, *Recop. de Leyes*.

<sup>4</sup>*Ibid*, ley 14, tit. 17, lib. ix.



It was the general opinion of all the politicians of Spain that the heavy tributes and taxes depopulated and improverished the country. The canons of a wise fiscal system were glaringly violated, the principles of equality and universality were not observed, and the burden of taxation was heaviest on those who were least able to pay the contribution. There were too many taxes, and some of them did not yield enough revenue to defray the expenses of collection. The number of collectors multiplied as new sources were created, and the expenses of maintaining a large army of tax-gatherers was a great drain on the treasury. An English writer and traveler was not very far from the truth when he remarked: "But money is compared by the Spaniards to oil; a little will stick to the fingers of those who measure it out; and such is the robbing and jobbing, the official mystification and speculation, that it is difficult to get at facts whenever cash is in question. The revenue, moreover, is badly collected, and at a ruinous percentage, and at no time during the last century (eighteenth century) has been sufficient for the national expenses. Recourse has been had to the desperate experiments of usurious loans and wholesale confiscations. At one time church pillage and appropriation was almost the only item in the governmental budget. The recipients were ready to 'prove from Vatel exceedingly well' that the first duty of a rich clergy was to relieve the necessitous, and the more when the State was a pauper: croziers are no match for bayonets".<sup>1</sup> The lucrative prerogatives of the king were mortgaged, and public credit was limited and very low. The same writer continues: "Since the reign of Philip II, every act of dishonesty has been perpetrated. Public securities have been 'repudiated', interest unpaid, and principal sponged out. No country in the Old World, or even in the New drab-coated World, stands in lower financial discredit".<sup>2</sup>

The defects of the fiscal system of Spain were recognized early.

<sup>1</sup>Ford, *Gatherings from Spain* (London, 1846), pp. 36-37.

<sup>2</sup>*Ibid*, p. 37.

The movement for reforms began in the Cortes of Madrid of 1573 to 1575 and was especially active in the Cortes of 1592 to 1598 when a tax on flour (*arbitrio de la harina*) was proposed. It was the plan of the authors to impose the tax on grain at the time when it left the mill. In other words a single tax on flour to take the place of the numerous taxes of the country was advanced as a remedy for a fiscal system that was honey-combed with abuses and frauds. This suggestion was supported by Fr. Juan de Sigüenza, Fr. Rafael de Sarmiento, Fr. Juan de las Cuevas, and Dr. Terrones.<sup>1</sup> The proposal did not gain much attention, however, and nothing was done to carry it out. In 1606 the agitation was renewed. It failed to accomplish anything, but was revived in 1619, when it gained the approval of the ministers; the opposition of the towns and politicians was too strong, however, and the measure was abandoned. Sancho de Moncada favored the tax, but he exaggerated its advantages and significance, claiming that it was better than the taxes on industry and trade for nature, upon which the tax was based, does not tire.<sup>2</sup> But the spirit of the advocates of the single tax on flour did not easily lose its fervor, the Director of the Exchequer and the Council of Castile resuscitated the movement, and recommended the measure to Philip IV in 1650 when the public had already forgotten it. As on former occasions, the measure failed to enlist a sufficient backing and did not go through. A century later, when it was thought that the single taxers had all passed away, the single tax on flour was again proposed, but the cause had lost its able adherents and no action was taken.

Although the Physiocrats had not yet evolved their principles and doctrines and the Californian, Henry George, had not yet seen the light of day, certain of the politicians of Spain had advanced some subtle economic conceptions similar to those of the

<sup>1</sup>Comeiro, *op. cit.*, vol. ii, p. 570.

<sup>2</sup>Moncada, *op. cit.*, disc. 5, cap. 5.

French economists who composed the Physiocratic School. In 1671 Francisco Centani adopted the view of Fr. Juan de Castro who had advocated in 1669 an apportioned land tax on all cultivated land to take the place of the numerous taxes.<sup>1</sup> The single tax on land was opposed by some of the politicians on the ground that it was very difficult to take a cadastral survey of the country, which was necessary for putting the measure into effect. They had, moreover, very little faith in the promise it contained, namely that it would put an end to the abuses of the fiscal system.<sup>2</sup>

<sup>1</sup>Centani, *Tierras: medios universales* etc., cited by Colmeiro, *op. cit.*, vol. ii, p. 573.

<sup>2</sup>Ward, *op. cit.*, pp. 34 and 173.

## CHAPTER III

### PREDECESSORS OF UZTARIZ

#### 1. *Economics in Spain*

After a brief survey of the economic conditions in Spain during the periods of its greatness and of its decay, we are now ready to examine the ideas, and suggested reforms of the men who had tried to explain the progressive disintegration of their kingdom. Spain has never been the home of great and well-known economic writers and thinkers. It is surprising that in a country whose wealth in early modern times has fired the imagination and elicited the admiring envy of monarchies, writers on the science of wealth, men well versed in economic science, have been conspicuous by their absence. Our wonder becomes greater when we consider the subsequent economic decay extending from the end of the sixteenth century to our own day of a country that was once the granary of the Roman Empire and the treasure-house of the wealth of the Americans. The commercial rivalry between England and Holland on the one hand and England and France on the other inspired the pen and genius of a great number of pamphleteers. England, shackled by the rigid doctrines of the mercantilists, produced a liberator in Adam Smith, while the Industrial Revolution found an able interpreter in Ricardo. France, groaning under the restrictions of Colbertism, gave Physiocracy to the world. But Spain, crushed by commercial restrictions and the most oppressive system of taxation that the world has ever known, never made any important contribution to economic science.

What has been the cause for the sterility of Spain in the field of economic literature? In letters, especially in the development of the novel, Spain takes the front rank; but in the social sciences, the Spaniards have been content to stay behind. The answer to the question lies not so much in the economic conditions of the country as in the political, religious, and social conditions in Spain. England and France developed a more liberal form of government than was to be found in Spain, and civil liberty existed in a greater degree among the mass of the people. The absolute monarchical form of government in Spain stifled freedom of thought on the part of the politicians *políticos*, as the economic writers were known, while religious doctrinarianism and bigotry took root much deeper than in any other country in the world. The economic conceptions of the Church Fathers and of the canonists were held as a sacred tradition until a comparatively recent period, the writings of Fr. Tomas de Mercado,<sup>1</sup> which embodies the canonist's doctrines in their pristine form, having held sway for a long time. The conception of life in Spain, as in all countries where religious bigotry had existed so long, put more emphasis on the spiritual and moral than on the material side. The Spaniards idolized the author of *Don Quixote* and other literary figures, but they were acquainted with only the covers of economic treatises.<sup>2</sup> With all these influences it is not to be wondered at, therefore, that any thorough and deep inquiry into the causes of the wealth of nations should have been neglected. Another cause of this lack of interest was the fact that the great majority of the Spanish writers on economic prob-

<sup>1</sup>Mercado, *Tratos y contratos de mercaderes y trantantes discidados y determinados* (Salamanca, 1569).

<sup>2</sup>Sempere y Guarinos, "Ponderese, en hora buena, el merito literario del autor de Don Quixote, y la edad presente vengue el injusto desprecio con que lo trato la suya. Brilla en el Parnaso Español, y en multiplicadas y bellas ediciones, los Garcilasos, Argensolas, y se quiere tambien otras Poetas de mucho menos merito. Mas, por que no se ha de tributar algun reconocimiento á los zelosos españoles que nos enseñaron la politica economica, esto es grandeza y decadencia de las naciones, y de la prosperidad y desgracias de nuestra monarquia", *op. cit.*, vol. ii, pp. clxxxvi-clxxxvii.



lems in early modern times did not express their thoughts in a systematic fashion, or with any general sequence of ideas. At best they were mostly pamphleteers and monographers, poor in wealth of original economic conceptions. They, however, elucidated with great eloquence and popularity, by the use of properly selected examples, the ideas of their more learned and profound English and French contemporaries, evincing an admirable gift of clear although not always logical expression. Among the most erudite of the Spanish economists of the early eighteenth century is Geronimo de Uztariz whose economic conceptions are the subject matter of this study.

The development of the social sciences, like any other branch of study, is a mental process. To attribute the perfection of any line of study or institution to any one man is rank flattery, if not a confession of gross ignorance. Any great writer in any epoch and in any country has drawn largely, consciously or unconsciously, from the contributions of his predecessors imperfect and insignificant though they may be. Adam Smith, often referred to as the father of Political Economy, had a long list of illustrious predecessors in England and a group of economic thinkers in France known as the Physiocrats from whom he borrowed some of the principles embodied in his *Wealth of Nations*. Though we might go on enumerating an inexhaustible list of writers in different lines of intellectual endeavor that would be a superfluous and tedious process. Suffice it to say that man, as a social being, can not live and think apart from his fellowmen. He merely expresses the sentiments and views of his time; he never creates them independently. Uztariz was no exception to this general rule. A host of Spanish pamphleteers who came before him had expressed very enlightening views on the different phases of the social, political, and economic structure of Spain. A brief account of the economic thought of two of his most important predecessors, Sancho de Moncada and Francisco de Mata serves the purposes



of a preface to a more thorough discussion of the economic views and conceptions of Uztariz. Other equally prominent Spanish economists might be included in this study,—Pedro Fernandez Navarrete,<sup>1</sup> Jose Pellicer de Ossau,<sup>2</sup> and Gaspar Naranjo y Romero,<sup>3</sup>—to name only a few, and not to mention a number of writers whose works have never been printed, and hence are obtainable only from private collectors in manuscript form. We must confess that we are acquainted with only the titles of their writings and the inaccessibility of their works prevents us for the present from any further discussion of their economic ideas. A detailed treatment of their contributions to Economics would in itself constitute a very fruitful future study.

## II. *Sancho De Moncada*

Very little is known of the life of Moncada, except that he was a professor of Sacred Literature in the famous University of Toledo. His reputation rests on his work entitled, *Restauracion Politica de España y Deseos Publicos*,<sup>4</sup> and composed of eight speeches. The speeches were first published in 1619 and republished in Madrid in 1746. A man who stood high in the academic world of his time, he was yet unwilling to confine his activities within the four walls of a lecture room. Moncada, first a nationalist, was one of the most vigorous advocates of the protective

<sup>1</sup>*Conservacion de monarquias y discursos politicos sobre la gran consulta que el Consejo hizo al Sr. Rey D. Felipe III (Conservation Of Monarchies And Political Speeches On The Grand Report That The Council Made To The King, Philip III)*. Imprenta Real, Madrid, 1626.

<sup>2</sup>*Comercio impedido por los enemigos de esta monarquia. (Commerce Impeded By The Enemies Of This Monarchy.)* Madrid, 1639.

<sup>3</sup>*Antorcha que alumbre para empezar la restauracion economica de España por medio de su comercio interior y fábricas de sus naturales. (Torch That Illumines The Path To The Economic Restoration Of Spain By Means Of Its Internal Commerce And The Manufactures Of Its Inhabitants).* 1703.

Most of the Spanish writers were ardent advocates of protection, but there were a few who were more liberal in their views. The ablest of the exponents of free trade was Alberto Struzzi whose work is entitled, *Diálogo Sobre el Comercio de estos Reinos de Castilla (Dialogue on the Commerce of these Kingdoms of Castile)* 1624.

<sup>4</sup>*Political Restoration of Spain and Public Desires.*

system. After giving judicious advice and counsel for the good government of Spain, he devoted the introduction to these lectures to a discussion of the ruinous effects of the trade with foreigners. To remedy the evil he advocated a vigorous execution of the laws prohibiting the entrance of foreign goods, laws that would keep within the kingdom the gold and silver from the Indies, and he did not hesitate to invoke the help of ecclesiastical censures and the rigors of the Inquisition to suppress the contraband trade.

In the first speech, *Riqueza Firme y Estable de España*,<sup>1</sup> he described the misery of Spain during the first two decades of the seventeenth century, pointing out the necessity of a general tour of the country by well informed persons to determine the causes of the general decay, and to recommend needful measures to meet the situation. In discussing the general decadence of the country he assigned no less than six principal causes. The first cause he mentioned is the very nature of the country, which is composed of many distant and wide-spread provinces whose defense and conservation have drained Spain of people and wealth.<sup>2</sup> The geographical structure of the country does not lend itself to effective control by a central authority. The unproductivity of agriculture and the arts is advanced as the second cause of the deplorable state of the country. That various parts of Castile and other provinces were depopulated was the result, or more probably the cause, of the unproductivity of agriculture.<sup>3</sup> Ostentation and extravagance in dress are mentioned as the third cause of the prevailing poverty.<sup>4</sup> Luxury in dress, which had long been a weakness of the Spanish people attracted general attention even during the Middle Ages, but Moncada failed to see the other side of the problem. Luxury in itself may not be the cause of general poverty; on the contrary it may stimulate activity and

<sup>1</sup>*Firm and Stable Wealth of Spain.*

<sup>2</sup>*Restauracion*, p. 6.

<sup>3</sup>*Ibid.*, p. 8.

<sup>4</sup>*Ibid.*

create a general demand for goods which means an encouragement of the arts and industries. But Spain was devoid of industries and practically all the manufactured goods consumed were imported with no corresponding exports to match them. The balance was, therefore, paid in gold which affords an explanation of the scarcity of the precious metal in the country, a fact that was not very clearly understood even by the most prominent of the Spanish politicians. The fourth cause was the great number of laws and decrees and the severity with which they were enforced,<sup>1</sup> together with the heavy taxes which were increased from time to time and which are assigned as the fifth cause of the general misery and suffering. New sources of revenue were created by every new sovereign until commerce and industry languished, and the common people, on whose shoulders the burden fell heavily, either left the country, remained in poverty to depend on charity, or joined the growing company of vagabonds. Pensions (*census y juros*), which had existed since the time of the Catholic Kings, continued to plague a treasury that was most of the time empty. The sixth cause to which the general decay is attributed is the trade with foreigners which drained the country of its gold and silver, leaving only copper coins in circulation. In spite of the rigorous laws in Spain designed to keep the precious metals from going out of the country, gold and silver coins disappeared as fast as they were minted.<sup>2</sup>

Foreigners went to Spain not only as traders but also as financiers and tax farmers. They furnished the labor for all sorts of occupations and trades because the Spaniards regarded any manual exertion as beneath the dignity of a gentleman. Spain produced abundant raw materials, but even this natural advantage could not allay the rapid decline of the manufacturing in-

<sup>1</sup>*Restauracion*, pp. 8-9.

<sup>2</sup>Campomanes who appears to be acquainted with the *Wealth of Nations* and the work of David Hume provides an able explanation of the extraction of the precious metals. See Campomanes, *Apéndice á la Educacion Popular*, (Madrid, 1775) vol. iv, note, pp. 383-384.

dustries. Moncada, with a view to encouraging manufacturing, was opposed to the exportation of raw materials. The decay of Spanish industries had made the country dependent upon foreign goods and even the Indies, whose demands for manufactured goods were never fully met, had to rely upon sources other than the mother country. Although Moncada recognized the inconvenience to the people of prohibiting the importation of foreign goods, he saw the principal remedy for all of Spain's ills, vices, laziness and decline of industries in the prohibition of all foreign goods.<sup>1</sup>

The second speech of Moncada entitled *Poblacion, y Aumento Numeroso de la Nacion española*,<sup>2</sup> is devoted to a discussion of the means of increasing the number of inhabitants. The members of the mercantile school had always attached great importance to a numerous population to provide a strong labor force for developing industries, especially textile manufactures. Moncada insisted that it was impossible to conserve the kingdom without a large and prosperous population for from his point of view the people and the kingdom were one.<sup>3</sup> A thriving population means a strong and powerful nation to be respected and feared by others. Among the causes of depopulation that he assigned may be mentioned briefly: the epidemics that swept over Spain time and again; the wars that took a heavy toll of human lives; famines that visited the Peninsula frequently as a result of the decay of agriculture and the arts; and emigration to the Indies. He refuted with convincing arguments the causes of depopulation advanced by other writers, denying as a cause the exodus of the nobles from their estates to the court to save themselves from starvation. He discredited the argument that the expulsion of the Moors contributed to the depopulation of the country, maintaining the view that foreigners who immigrated to Spain filled

<sup>1</sup>*Restauracion*, pp. 12-18 and 34 *et seq.*

<sup>2</sup>*Population and Numerous Increase of the Spanish People.*

<sup>3</sup>*Restauracion*, p. 46.

the gap created by the banishment of others. As to the increasing number of ecclesiastics prohibited by their religious vows from marrying thus lowering the birth rate, he contended that the ecclesiastics were older than the evils under which Spain suffered and, therefore, should not be reckoned as an important cause of depopulation.<sup>1</sup>

The problem of increasing the population of the kingdom was one of Moncada's chief concerns. Although he did not entirely deny that the increasing number of nobles in the court were disastrous to tillage, he believed that bringing pressure upon them to go back to their estates where they could engage in agriculture was not feasible. He did not expect much from the immigration of foreign Catholics to augment the population, and he could not shake off the fear that foreigners, who cling tenaciously to the customs of their ancestors, could not be assimilated.<sup>2</sup> Foreigners who flocked to Spain where labor was in great demand because of the lack of hands and the odium felt for manual labor, were led by the fascination of their mother country where the laws were more mild and the taxes less heavy to go back after the harvest or when a handsome fortune was accumulated. As an ultimate solution, Moncada harked back to the principal argument advanced by his contemporaries—the prohibition of the importation of foreign goods into Spain. He argued with a subtle logic that if the people would engage in productive labor they would be able to earn a livelihood and marry; but the people could not be given jobs unless there were flourishing manufactures and to encourage manufactures, foreign goods must be prohibited from coming into the country.<sup>3</sup>

The third speech, *España Con Moneda y Plata*,<sup>4</sup> contained a discussion of the lack of money in Spain. He lamented that there were few taxes that were not pledged or mortgaged, the

<sup>1</sup>*Restauracion*, p. 48.

<sup>2</sup>*Ibid.*, p. 49.

<sup>3</sup>*Ibid.*, pp. 50-51.

<sup>4</sup>*Spain With Money and Silver*.



unmistakable sign of a low credit and a very impecunious and necessitous country. The Indies did not offer bright prospects as a source of benefit to the kingdom; on the contrary, Moncada maintained that the Indies caused the poverty of Spain. In the beginning the gold and silver of the Indies made Spain wealthy, but the phenomenal wealth of the country also contained the seeds of poverty. The abundance of precious metals caused a rise in the price level, compelling Spain to withdraw from all competitive enterprises. This affords the true explanation of the passive condition of the trade of Spain. The failure of export trade because of the decay of industries forced Spain to pay the balance in specie, and in spite of all the severe laws prohibiting the extraction of precious metals, gold and silver had to be exported. Moncada recognized two dangers of the lack of money and of precious metals in the kingdom. In the first place he shared the curious notion of the bullionists that the absence of gold and silver in a country weakens a nation and renders it defenseless against the attack of an enemy, a large stock of precious metals being synonymous with power. A second danger, from his point of view, was that gold and silver extracted from Spain strengthened its rivals and enemies, specifically the Moors in Africa whose trade with the Peninsula was carried on on a large scale.<sup>1</sup>

He proposed several ways of preventing the extraction of gold and silver from the borders of Spain. The exodus of money could be stopped by treating gold and silver like other commodities offered for sale; that is to say, they should be subjected to a payment of the *alcabala* at the rate of 6 or 8 per cent. The next remedy he proposed was to require foreign traders to sell only one-fourth of their goods for money, the rest to be bartered for Spanish goods, a measure that would indirectly limit the importation of foreign goods because of the lack of Spanish articles to be exchanged for those brought into the country.

<sup>1</sup>*Restauracion*, pp. 57-58.



The third remedy he suggested and one more in keeping with modern practice was to require that all the silver bullion in Spain should be coined and to require also that the commodity value of the coins be greatly reduced in proportion to the legal value so that foreigners would refuse to accept them as payment for their merchandise.<sup>1</sup> In this respect Moncada failed to reckon with the fact that the disadvantage on the part of foreign merchants could be easily remedied by increasing the price of their goods to make up for the loss in the commodity value of the silver coin. Moreover, he did not have an intellectual grasp of the subject when he failed to see the disastrous effects on the debtor-creditor relations of the individuals and the state; creditors would suffer a heavy loss while debtors would profit by the alteration in the value of money. The inflation which would certainly follow, although it would harm the *rentier* class which was mostly foreign, would benefit a very impecunious government. Although these expedients attracted a large following, from Moncada's point of view these means were inadequate to remedy the anomaly and he argued that the most important and only adequate method by which the country could keep its silver was to prohibit the importation of foreign goods.<sup>2</sup>

His fiscal views were set forth in the fourth speech entitled *Aumento Perpetuo de las Rentas reales de España*.<sup>3</sup> The prodigality of Philip II brought Spain into penury, and taxation was never so burdensome and unpopular as during the reign of this ambitious monarch. Moncada lamented over the state of the revenues which had been heavily mortgaged to foreign farmers from whom the king had borrowed extensively. Public credit was at a very low ebb and the king could borrow only at a very high rate of interest. There were a great many charitable institutions with an ever increasing number of inmates dependent upon public support.

<sup>1</sup>*Restauracion*, pp. 58-63.

<sup>2</sup>*Ibid.*, p. 64.

<sup>3</sup>*Perpetual Increase of the Royal Revenues of Spain*.

In analyzing the causes of the diminution of the public revenues Moncada pointed out the fallacies of some of the arguments advanced by other writers. One of the causes so often mentioned by the politicians was the expulsion in 1609 of the Moors, the great industrialists and agriculturists of the country. The territory inhabited by the Moors lost its industries and its fields, soon after their banishment, were no longer flourishing gardens. Moncada defended a losing case when he contended that the banishment of the Moors did not have the effect of diminishing revenues. It is true that an equal number of foreigners took the place of the Moors, but it is also certain that the industries and agriculture upon which the taxes were principally based were no longer as productive as in the days of the Spanish Moslems. He denied that the expenses of the foreign wars in which Spain was engaged caused a heavy drain on the royal treasury and claimed that during the wars in the reign of Charles V the treasury was not in such great straits. In this connection Moncada overlooked the fact that the public coffers were in a flourishing condition during the time of Charles V and the early part of the reign of Philip II because of the accumulation of former centuries when Spain was the guardian of the riches of the Indies. It was the subsequent decay of agriculture, industry, and trade, as we have already noted, which impaired the principal sources of revenue. The real sufferings of a country do not come during a war, especially in the case of such a rich and powerful country as Spain during the reigns of the Catholic Kings, Ferdinand and Isabella and Charles V, but they appear after the war is over. Neither did Moncada accept as a cause of the diminution of the revenues the extravagance of the court, for he argued that the expenditures of the king benefit commerce and that if trade is active, the *alcabala* and the *millones* yield a greater amount. The real cause of the decreasing yield of revenue Moncada maintained was the presence of foreigners who were exempted from taxation

and who, by their illicit trade, carried away the precious metals of the country.<sup>1</sup>

As a means of preventing the decrease of the public revenues Moncada counseled that Spain should not engage in secret treaties by which the king pledged the revenues for loans; he suggested that foreigners, except the diplomatic representatives and persons in the royal service, should pay the poll tax; that heavy *alcabalas* be imposed on foreign manufactures;<sup>2</sup> that the *servicio de millones* be imposed on all goods exported and imported;<sup>3</sup> and that foreign goods should pay taxes not in money but in kind, such goods to be sold for the account of the treasury so as to avoid the frauds committed by foreign merchants who charged low prices for their goods.<sup>4</sup> To take care of emergency expenses he proposed a plan to create a reserve fund (*tesoro reservado*) which was, in many respects, similar to our modern idea of a sinking fund.<sup>5</sup>

Moncada continued the discussion of public revenues in the fifth speech, *Mudanza de Alcabalas Util al Rey Nuestro Señor y a España*.<sup>6</sup> The *alcabala*, a 10 per cent. tax on every sale, which had been one of the most burdensome of taxes, was later raised to 14 per cent. With a view to easing trade and getting rid of an enormous number of tax collectors he proposed that the *alcabala* should be imposed only on one class of commodities,<sup>7</sup> confining the impost to luxuries, gifts, and objects of vanity and exempting the prime necessities, thus lightening the burden on the great mass of the population who are least able to bear it. He defended this view on the ground that it would check vice and would impose upon the rich, who are the most able to bear

<sup>1</sup>*Restauracion*, p. 75.

<sup>2</sup>*Ibid*, pp. 77-79.

<sup>3</sup>*Ibid*, p. 81.

<sup>4</sup>*Ibid*, p. 83.

<sup>5</sup>*Ibid*, p. 88.

<sup>6</sup>*Reform of the Alcabalas Profitable to the King and to Spain*.

<sup>7</sup>*Ibid*, p. 91.

the taxes but who pay the least, this most crippling tax.<sup>1</sup> Although the taxation principle of ability to pay would be attained by the *alcabala* on luxuries Moncada did not think it feasible because the rich, being powerful, would not consent to carry such a burden. He showed good judgment and intellectual grasp when he recognized the principle of universality, that is, that for the good of the whole body politic all must contribute, and he therefore maintained that the royal revenues should be collected on goods used by all.<sup>2</sup>

Moncada was a strong advocate of the single tax. Having recognized the impossibility of confining the *alcabala* to articles of luxury, he considered the problem of imposing the *alcabala* on grain, wheat, and barley, articles consumed by all classes. In a very illuminating fashion he took into consideration the different aspects of the question. He recognized the inconvenience that such a tax would occasion: first, that foreigners would not be taxed except on what they consumed in the form of bread, thus sacrificing a large amount of revenue that would otherwise have flowed into the royal treasury; second, that the *alcabala* on wheat would be a great burden on the laboring poor while the rich would contribute only a small amount instead of sharing the burden according to their ability; third, that the number of people who would pay the tax was not certain and that it would be impossible, therefore, to calculate the amount of revenues; fourth, that the illiterate millers could not read and understand the decree, making enforcement more difficult; and fifth, that the people and *alcaldes* or government officials to whom the enforcement of the law would be entrusted were all interested and affected by the tax and, it would therefore be to their best interest to neglect the enforcement of the law. The benefits pointed out by Moncada were the logical consequences that would follow if such a law were enforced. The *alcabala* on wheat and barley

<sup>1</sup>*Restauracion*, p. 92.

<sup>2</sup>*Ibid.*, pp. 92-93.

would eliminate the *cedulas*, numerous laws, and a big army of tax collectors who commit indiscriminate extortions on the poor; frauds in connection with the tax returns would not happen because the grain products of every locality would be known; and the collection of the tax from producers would be easy and economical. He, however, exaggerated the importance of the single tax on grain when he argued that the tax was necessarily borne by nature which never tires, leaving industry and trade free from the burden.<sup>1</sup>

The discussion of the system of taxation in Spain was continued in the sixth speech, *Fin y Extincion del Servicio de Millones util al Rey Nuestro Señor*.<sup>2</sup> In this speech Moncada pictured the pitiful condition and sad plight of the country and the resulting depopulation occasioned by the *servicio de millones* or excise taxes. He recommended that the *millones* be abolished and asserted that the loss suffered by the treasury because of its abolition could be easily repaired by taxes on foreign manufactures which he had advocated in his fourth speech, and the single tax on grain, which he had discussed in the fifth speech.<sup>3</sup>

The seventh speech was divided into two parts. The first part entitled, *Censura de las Causas a Que Se Carga el Daño General de España*,<sup>4</sup> contained a summary of the causes of Spain's economic ills and a discussion of the proper remedies; the second part, *Expulsion de los Gitanos*,<sup>5</sup> was a consideration of the expulsion of the gypsies and vagabonds that had infested the Peninsula for centuries. The general depression in Spain Moncada attributed primarily to the decay of agriculture, luxury in dress, the *alcabalas*, the great number of people in the court, the multiplicity and confusion of the laws, and the increasing

<sup>1</sup>Cf. Seligman. *Essays in Taxation* (New York, 1925), p. 96.

<sup>2</sup>*Extinction of the Servicio de Millones (Excises) Profitable to the King.*

<sup>3</sup>*Restauracion*, pp. 103-104.

<sup>4</sup>*Criticisim of the Causes to which the general damage to Spain is attributed.*

<sup>5</sup>*Expulsion of the Gypsies.*



number of ecclesiastics and religious. To restore agriculture to its former flourishing condition he advocated having a delegate in each town whose duty it would be to see that all uncultivated land was brought to fruition; providing irrigation works for the fertile valleys of the Peninsula by the building of dams on the rivers; and limiting the area devoted to vineyards and increasing the area for the growing of wheat and other grains. He argued that hemp and other fiber-producing plants should be grown; that capital should be provided to help the farmers; and that the price of grain should be fixed every year according to its natural value.<sup>1</sup> The Spaniards were great lovers of vain show and ostentation in matters of dress, living in great luxury and beyond their means. While Moncada did not entirely condemn extravagance in dress, he advised moderation.<sup>2</sup> This problem of luxury attracted general attention, for every writer during this period either discussed the subject favorably or condemned it, while the sumptuary laws of the Spanish kings were designed to remedy this widespread social evil. The *alcabala* as we have seen reduced trade to a minimum and the great horde of collectors, numbering at one time 150,000, greatly reduced the amount of revenues. The number of the king's retainers, composed mostly of the landed nobility, increased rapidly causing depopulation on the farms and leaving the big estates in the hands of the serfs to the great prejudice of tillage.<sup>3</sup> The great number of laws and decrees, and the rigors with which they were enforced brought untold misery to the simple inhabitants. The Spanish Cortes and the legal advisers of the Castilian monarchs were very prolific, if not over-enthusiastic, in their output of laws; there were, in addition to the common law,<sup>4</sup> 5,000 laws in Spain, including about 3,000 in the *Recopilacion*, besides the royal orders, decrees, and edicts that

<sup>1</sup>*Restauracion*, pp. 108-110.

<sup>2</sup>*Ibid*, p. 111.

<sup>3</sup>*Ibid*, pp. 114-116.

<sup>4</sup>*Ibid*, p. 118.

were issued every day. Moncada recommended the simplification of the Spanish legal system, calling for a general revision and a reduction of the number of laws. The Spanish politicians all conceded the importance and usefulness of the ecclesiastics and clergy for they were all zealous Catholics, but Moncada thought that they were too numerous and altogether out of proportion to the whole population, about one-fourth or possibly one-third of the entire population being composed of ecclesiastics, clergy, people under religious orders, and hermits.<sup>1</sup> To limit the number taking religious vows, he suggested the raising of the educational requirements of those who contemplated entering the religious orders; proposing that in order to be ordained an applicant should possess the degree of Bachelor of Theology or Canonical Law.<sup>2</sup>

Although Moncada wished to see Spain inhabited by a big population he had no use for gypsies and vagrants, and strongly recommended their expulsion. Gypsies were numerous in all European countries during the Middle Ages and the early years of the modern era. The Crusades and other wars inspired by religious prejudice were responsible for this army of shiftless adventurers who lived on the credulity and superstition of the people.<sup>3</sup> The gypsies who came with the invading armies and the successive Moorish invasions were idlers without occupation or religion. To the mercantilists a man who could not earn his keep was worse than useless. Such people in Moncada's eyes were dangerous to Spain for they contributed nothing to the total wealth of the country, earning their living by begging; they were spies and traitors who should be imprisoned, condemned to death, or expelled from the land.<sup>4</sup>

The eighth and last speech, *Nueva E Importante Universidad en la Corte de España*,<sup>5</sup> contained a fragment of his political

<sup>1</sup>*Restauracion*, p. 122.

<sup>2</sup>*Ibid.*, p. 124.

<sup>3</sup>*Ibid.*, pp. 130-135.

<sup>4</sup>*Ibid.*, pp. 136-138.

<sup>5</sup>*New and Important University in the Court of Spain.*

ideas. In this speech he discussed the importance of having a university in the court where the princes and the nobles could be instructed in the science of government.<sup>1</sup> Moncada cited the works of Plato to support his contention that the princes and government officials should study the science of politics as a necessary preparation for the arduous task of governing a kingdom. As was to be expected from a professor in one of Spain's most famous institutions of learning, Moncada held the view that men to whose hands the reins of government were entrusted should have a university training.

### III. *Francisco Martinez 'de Mata*

Another Spanish economist who wrote before Uztariz and who should be included in this study is Francisco Martinez de Mata, born in Motril in the kingdom of Granada about the end of the sixteenth century. A man of fortune and endowed with a keen mind, it was believed by many that he would prove himself to be also a man of destiny, an expectation which he fulfilled. He was a man well instructed in the science of Political Economy, a study as we have seen which was generally neglected by the Spanish scholars of his time.<sup>2</sup> He traveled extensively in Italy and France and used his wealth and wisdom in sponsoring the cause of his country and its laboring poor when Spain was slipping rapidly on the downward path of decay. He flung himself unhesitatingly and with a surge of passion and sentiment into the economic controversies of his day, and his writings furnished a much needed explanation of the problems that confronted Spain. He was a great protagonist in the fight against foreign merchants and bankers who controlled the economic life of Spain.<sup>3</sup> He enjoyed a high reputation among his contem-

<sup>1</sup>*Restauracion*, p. 157.

<sup>2</sup>He was compared with Petty and Josiah Child by some writers. See Sempere y Guarinos, *op. cit.*, vol. iii, p. clx.

<sup>3</sup>*Restauracion*, pp. 158-159.

poraries as a great leader and a patriot who laid aside his wealth and fortune to serve his country and his fellowmen. A man of great intelligence, he had the capacity to direct the industrial, commercial, and financial reconstruction of a impoverished and bankrupt nation.<sup>1</sup> Mata's fame rests on his *Memorial*,<sup>2</sup> a splendid piece of work which, like Moncada's *Restauracion*, is composed of eight speeches. The MEMORIAL was first published in 1656<sup>3</sup> and reprinted later in Seville in 1701.<sup>4</sup> He was also the author of two lesser works<sup>5</sup> dealing with the depopulation and poverty of Spain. The first of these two tracts is entitled *Memorial En Razon de la Despoblacion y Pobreza de España y Su Remedio*,<sup>6</sup> and the second he called *Lamentos Apologeticos de Abusos Dañosos, Bien Recibidos, Por Mal Entendidos, En Apoyos del Memorial de la Despoblacion, Pobreza de España y Su Remedio*.<sup>7</sup>

Mata subscribed to the views of Moncada in dictating measures to prohibit the introduction of foreign merchandise into Spain. He likewise advocated measures that would keep the gold and silver within the country and, like the great majority of politicians, recommended the expulsion of the foreigners who flocked to Spain to trade and to engage in the different industries. Mata discussed rather incoherently the problems of production, exchange, and consumption.

The *Memorial* was patterned after Moncada's *Restauracion* both as to form and content. The first speech treated of the depopulation, poverty, and sterility of Spain, setting forth the measures he proposed to increase the royal revenues as well as

<sup>1</sup>Campomanes, *op. cit.*, vol. iv, pp. lxxxvi-lxxxvii.

<sup>2</sup>The MEMORIAL is reproduced in Campomanes, *Apéndice á la Educacion Popular*, vol. iv.

<sup>3</sup>Campomanes, *op. cit.*, p. lxxxvii.

<sup>4</sup>*Ibid.*, *op. cit.*, p. lxxxvii.

<sup>5</sup>See Sempere y Guarinos, *op. cit.*, vol. iii, pp. 290-291.

<sup>6</sup>*Memorial in regard to the Depopulation and Poverty of Spain and Its Remedy.*

<sup>7</sup>*Apologetic Laments of Damaging Abuses Well Received, By the Ill-Informed, In Support of the Memorial of the Depopulation and Poverty of Spain and its Remedy.*

the means of augmenting the population. Beginning his thesis, he first discussed the origin of societies and the arts. Unlike the thoroughgoing bullionists, he attached greater importance to manufactures than to the possession of rich mines. Drawing largely from the experiences of Spain's rivals, France, Genoa, Venice, Florence, Holland, and England, he observed that although these cities and nations were not the owners of rich mines, they possessed a great amount of the precious metals because of their flourishing manufactures. Arriving at the same conclusion as the rest of his compatriots, Mata attributed the depopulation of Spain and the decline of Spanish manufactures originally to the importation of foreign goods. "The extermination of the subjects (of Spain) has not been caused by the *millones* nor by the excessive taxes that have been imposed, although they were important causes; nor is the way of collecting them oppressive, as is proved in the fourth speech of this paper; but the permanent cause from which they originated was the permission of the consumption of foreign merchandise, as already proved."<sup>1</sup>

The decay of manufactures lessened the production of Spain, and the people's capacity to pay taxes and tributes was greatly impaired. Mata claimed that the toleration of the introduction into the country and the Indies of goods of foreign manufacture, which were sold at a much lower price than those of Spain, made the Spaniards unable to compete with other countries. The disadvantage sustained by Spanish manufacturers originated from the fact that they paid more attention to quality than to the demands of the consumers for the ordinary goods used by the great mass of the people. Silk and woollen manufactures, which in the past had been important especially in the regions occupied by the Moors, passed away shortly after their expulsion. By

<sup>1</sup>La destruccion de los vasallos no ha sido las millones, ni demas cargas que se han puesto, aunque fuesen mayores; ni el medio de percibirlos mas o menos gravaso, como se prueba en el quatro discurso de este papel, sino la causa que las origino, que se ha quedado en pie, que fue la permission del consumo de mercaderias estrangeras, como queda probado. Mata, *Memorial*, disc. i, art. 58.



the middle of the seventeenth century the silk manufactures of Granada were of very little consequence, and the silk goods demand of the country was supplied chiefly from foreign sources. The decline of industries brought about a decline if not a complete degeneration of the different guilds which Mata associates with the introduction of foreign goods. He gave further consideration to the effect of the introduction of foreign manufactures on revenues in the second speech. In this connection he exhibited an imperfect conception of the incidence of taxes; he observed that it is the consumer who pays the taxes more than the laborer or artisan, failing to take into account that the consumer and the laborer are one and the same person. The consumers of manufactured goods are the ones who pay both the wages of the laborers and artisans who produced the articles, and the taxes to the government. Following the same line of discussion he concluded that if Spain continued to consume foreign goods, the tributes and taxes which the Spaniards paid would belong to foreign kings.<sup>1</sup> He wittily remarked that a subject is known by the tributes he pays to his king, and that if the Spaniards, by their consumption of foreign goods, paid tributes to foreign kings, they were for that reason foreign subjects.

The sterility of Spain, caused principally by the decay of the arts and industries, Mata discussed in his third speech. The poverty of the country, which has been associated with the depopulation of the provinces, he attributed to four causes, namely: the expulsion of a considerable number of the population, the Moors and Jews; famine as a result of the failure of agriculture and industry; pestilence which was common in the Middle Ages and early modern times; and war in which Spain figured so prominently during the reign of Charles V and Philip II. To increase the population of the country Mata suggested as most

<sup>1</sup>Si las mercaderías que consumen los vasallos, son extranjeras, es preciso que lleven la carga de los tributos, que de ellos sacaron los Reyes estranos, *Memorial*, disc. ii, art. 23.

advisable the union and interdependence of agriculture and the arts, arguing that agriculture alone offers a limited means of providing the necessities of life to increase and conserve the population and that the poor farmers would always endeavor to preserve a big family as the source of a ready supply of farm hands and would not suffer their sons to leave them to get married, thus decreasing the number of marriages.<sup>1</sup> If people stick to a limited occupation, they could not support a family and pay their rents and taxes. In most countries of Europe before the Industrial Revolution handicrafts and agriculture were not entirely separate; there was no distinct cleavage between the two and people engaged in both occupations, increasing their income from agriculture by the sale of home-made articles. But all these explanations of the unfortunate state of Spain are of minor importance, and Mata reaffirmed the conclusions of his contemporaries that the best means to increase the population and restore the opulence of the country consisted in the observance of the laws prohibiting the entrance of foreign manufactures.

He endeavored to prove in the fourth speech of the *Memorial* that the excessive tributes then exacted from the people, although the principal cause of poverty, had not depopulated Spain. The greater part of the taxes were on articles consumed, and he claimed that the principle upon which the system of taxation was based was a just one because the people paid taxes according to their ability.<sup>2</sup> He recognized the relation between trade and taxation, claiming that tributes and taxes paid by the people depended upon the traffic of goods, but posed the question as to

<sup>1</sup>La agricultura es limitado medio para el aumento y conservacion de la poblacion. . . . Porque en llegando á ser los labradores pobres, no tienen que partir con los hijos para casarlos, como lo hicieron sus padres: con lo qual se dificultan los matrimonios. Si esta solo atendido á su corta labor, no puede solo con ella sustentar la familia; ni dar las labores necesarias á la tierra, ni pagar la renta, ni repartimientos concejiles, *Memorial*, disc. iii, art. 6.

<sup>2</sup>El medio de tributar, impuesto sobre los alimentos, es el mas proporcionado y ajustado á los vasallos, que se puede hallar, porque cada uno rinde segun las fuerzas que al presente tubiere, *Ibid*, disc. iv, art. 14.

where the tributes came from when there was no traffic in the country.<sup>1</sup> It is a well established truth that the revenues of a treasury depend upon the wealth of the people; and Mata would say with Vauban, *pauvres paysans, pauvre Royaume, pauvre Royaume, pauvre Roi*.

The fifth speech of the *Memorial* was a refutation of the ancient contention of a great number of Spanish writers that the extravagance and superfluous expenses of the king and his vassals impoverished the nation. Mata, who took strong exception to this point of view of his illustrious predecessors and contemporaries, claimed that the necessities of some depend upon the extravagance and luxury of others. In discussing the subject of luxury, Mata failed to define the term clearly enough to avoid the possibility of a misinterpretation, for it is a point well taken that the necessities of a certain group may be called the luxuries of another. He contended that if all the people avoided expenditure beyond what was necessary to live on, commerce and the arts would cease, leaving everybody in idleness and poverty. He believed that the superfluous expenditures on the manufactures of Spain were not prejudicial, but that the real damage consisted in the extravagance of buying foreign manufactures, paying out money for foreign goods which would otherwise be invested in the manufactures of Spain giving occupation to Spaniards, instead of enriching other republics and foreign kings at the expense of Spain.<sup>2</sup> This argument in favor of luxury was contrary to the spirit of the sumptuary laws which had bedeviled Spain since the Middle Ages.

Mata continued to strike the same note in the sixth speech when he reiterated the common conception that the cause of poverty and the decay of the arts was to be found in the trade of foreigners. Spain possessed all the raw materials needed to

<sup>1</sup>*Memorial*, disc. iv, art. 14.

<sup>2</sup>*Ibid*, disc. v, arts. 12-13.

manufacture articles similar to those that were imported. Spain raised plenty of silk, wool, and flax for the weaving trade, but the decay of manufactures made necessary the exportation of these commodities to other countries especially to England, France, and Holland which later brought them back in the form of finished cloth. Mata cited the examples of Venice and Genoa, cities lacking in raw materials but powerful and prosperous because of their flourishing industries and trade. Spain enjoyed an unexcelled prosperity and was inhabited by a numerous population during the first decades after the discovery of the Indies when all the silver and the gold of the colonies flowed profusely into the mother country without competition from any other country. Mata directed his vituperation against foreign merchants, especially the Genoese whom he accused of destroying the famous trade of the Spanish cities, ruining their industries and consequently throwing out of employment a large number of artisans, and defrauding the treasury.

The seventh speech of the *Memorial* was devoted to a further consideration of the disadvantages to the economic life of Spain arising from the trade of foreigners. Foreigners not only went to Spain as merchants but they also flocked to the Peninsula to engage in all kinds of trades and occupations, the Spaniards having abandoned their occupations in favor of the easier but more perilous and uncertain life of vagrants or beggars. In the case of those who had acquired a modest fortune, the comfortable life of a noble was much sought after and they retired early in life to enjoy their fortune and delightedly acknowledge the admiration and envy of an indolent population. The shiftlessness and laziness of the Spaniards were a boon to the foreign artisans who migrated to Spain, at one time about 120,000 in number. The foreigners came to Spain in rags; they returned to their native land at the end of the harvest or after a few years prosperous and the subject of the malicious envy of the Castilians.

Mata calculated that foreign laborers extracted from Spain about 7,320,000 ducats yearly saved by engaging in servile and domestic occupations which he enumerated and described at great length. Various means had been tried to prevent the coming of foreign artisans but to no avail, for Spain needed hands to engage in the necessary occupations which the Spaniards looked upon with great disdain. It had been pointed out by numerous writers that Spain needed labor to keep the wheels of industry going since the expulsion of the Moors. In the war against the Moors, Frenchmen, Germans, and Flemings who came to Spain to fight the infidels were allowed by the Catholic Kings to settle in the conquered territory as a reward for their military services.

In connection with trade Mata gave consideration to the importance and significance of money and expounded a rather imperfect conception of the velocity of circulation of money. He stated it thus: "Money is the soul that occupies and vivifies all the members of the body of the republic".<sup>1</sup> In discussing the rapidity of the circulation of money, he pointed out that if a ducat passed through a hundred thousand families in a week, in a month or in a year, the goods purchased by that ducat would have a value equivalent to 100 ducats.<sup>2</sup>

The decline of the royal treasury and the proposed means to restore its former solvent position were ably discussed in the eighth and last speech. Mata went back to a segment of Spanish history and recalled the flourishing state of the royal coffers during the reign of the Catholic Kings. Spain was inhabited by a numerous population; agriculture, industry, and commerce prospered under their patronage; and trade was subjected to a single

<sup>1</sup>El dinero es el alma, que ocupa y vivifica todos los miembros del cuerpo de la republica, *Memorial*, disc. vii, art. 69.

<sup>2</sup>Gastando una familia un ducado, es cierto que se queda con el, porque le dan por ello lo que vale un ducado. Si este ducado pasa por cien mil familias en una semana, en un mes, ó en un año (que es posible el que pase por ellos en un día), las mercaderías ó frutos que hicieron que mudase poseedor este ducado, valen cien ducados; dejando beneficio general en todos, *Ibid*, disc. vii, art. 69.



tax only, the *alcabala*, which was then only a light burden to the population. The administration of the taxes was far less severe and the amount of revenue needed was apportioned among the towns. Trade was then very active and the markets of the New World were almost exclusively supplied with goods manufactured in Spain. The decline of trade Mata attributed to the decay of the industries from which flowed the fabulous wealth of the Spanish cities. As the cities and towns lost their manufactures, they were reduced to poverty and were consequently unable to pay their *alcabala* and other taxes. Mata recalled with sadness the opulence of Burgos, Medina del Campo, the famous fair center of medieval times, Seville, and other cities, the thriving trade centers of other days where the merchandise of Europe was exchanged for the products of Spain and the Indies. He saw many disadvantages in the importation of silk from India, China, and Persia, and lamented over the hopeless struggle of the industries to survive the onslaught of foreign competition. Mata attributed the prevailing general misery not only to the continuous importation of foreign merchandise, but also to the neglect of the craft guilds, the government failing to come to their aid by protective legislation.

In the last speech of the *Memorial* Mata incorporated the next of the Royal *Cedula* of October 22, 1622 which provided for the establishment of public treasuries and pawn shops.<sup>1</sup> This *Cedula* is of great interest not only because of the wise proposal it contains but also for its picture of the impoverished condition of Spain at the beginning of the seventeenth century. This piece of economic legislation was inspired by the desire to protect trade by excluding all foreign merchandise from the markets of Spain. In a broad sense, the *Cedula* proposed to establish a national banking system intended to benefit agriculture, industry, and commerce, and to succor the royal treasury in time of great

<sup>1</sup>*Memorial*, disc. viii, art. 80.

financial stringency; in many respects it expressed the fundamental conception of the central bank of today, if we may risk a liberal comparison. The bank was to receive deposits at 5 per cent interest and give loans at 7 per cent interest. Several advantages that would be derived from such a scheme were pointed out by the *Cedula*. It was claimed that it would promote farming and husbandry; that manufactures would be encouraged by loans from the public treasuries; buying and selling on credit would be stopped, which meant that trade would be conducted on a purely cash basis, thus striking a mortal blow to speculation and bringing about a more stable level of prices; the collection of royal taxes would be facilitated; it would prevent bankruptcies among the merchants of moderate means and would put an end to usury; the exportation of gold would be stopped; the system would make unnecessary loans from foreigners who controlled the royal revenues as a security for their loans; deficits in the royal treasury would be prevented by the advance of funds from the national bank; and the use of copper coins would be reduced. It was also proposed by the *Cedula* that the public treasuries or banks of the system be made the government depositories. Through this plan, it was piously hoped by the framers, that depopulation would be arrested as industries would be established through the aid of the public treasuries. It may be said without exaggeration that this *Cedula* framed three centuries ago bears a favorable comparison with the Federal Reserve Act of our own day. They were both attempts to accomplish the same ends, namely, to help agriculture, industry, and trade, to exercise credit leadership in the country, and to avoid the violent fluctuations of the price level.

Although he was enthusiastic over the scheme, Mata thought that it would not be possible to establish public treasuries depending principally on deposits to finance an undertaking so ambitious in its scope. He proposed a better plan to put the scheme through. To finance the proposed national banking system Mata

suggested exacting compulsory contributions from all foreigners residing in Spain, appropriating the proceeds of the donations, fines, and payments from released prisoners, and using the profits realized from the administration of the estates and properties of minors and charitable funds to finance the public treasuries. He concluded the *Memorial* by reiterating his conviction of the disadvantage of introducing foreign goods into the country. The only way to restore Spain to its old prosperity, he asserted, was through the establishment of public treasuries and pawnshops and strict observance of the laws of trade which to him meant absolute lack of communication with competitors.

To point out with absolute certainty the specific contributions of any one writer to the line of study with which he is identified is not easy for, as we have already remarked, each writer is influenced by his predecessor. Moncada and Mata were very able critics of the economic situation in Spain during the early period of its decadence. While the great bulk of their writings consisted of a refutation of the different theories concerning the cause of depopulation and the decay of agriculture, industry, and trade in Spain, the remedies that they proposed contained the beginnings, though still imperfect, of interesting economic ideas which were exploited by much later writers. Moncada was among the first to treat gold like any other commodity, a radical departure from the accepted view of his time when gold was considered synonymous with wealth and power. The idea of a sinking fund which has always been associated with Sir William Petty was also conceived by Moncada at a much earlier date. That taxes should be used not only for fiscal purposes but also for social reform, to curb luxury and vice, was early recognized by Moncada. In endeavoring to soften the effects of the burdensome *alcabala*, he advocated a single tax on grain which became one of the distinguishing marks of the Physiocratic system over a century later in France and of the writings of Henry George in the United

States. In expounding the benefits of the single tax on grain, his conclusions led him to recognize the principle of universality in taxation, for bread, which is made from wheat or other kinds of grain, is used by all.

Mata, like Moncada, also expounded a number of new ideas. In attaching greater importance to manufactures than to the possession of rich mines, Mata took a step forward by recognizing the fact that the possession of gold alone would not make a nation wealthy and prosperous unless the gold was utilized to strengthen the productive powers of the country. In discussing the significance of money, Mata's conception of the velocity of circulation, although vague was nevertheless far in advance of his time. In the field of banking Mata deserves to be remembered for he was among the first to call attention to the importance of a national banking system. Although he had taken no part in the framing of the Royal *Cedula* of October 22, 1622, which contained most of the features of the United States Federal Reserve Act of 1913 and was designed to accomplish the same ends, he brought out that masterpiece of royal legislation from obscurity and pointed out the benefits it promised to a dying Spain.

But though the discussions of Moncada and Mata were able they failed to analyze in all its aspects the economic problem that confronted Spain. In connection with trade the problem of transportation and shipping was not discussed; with regard to industry the different kinds of manufactures were not touched upon; and in connection with the discussion on taxation only a few of the taxes were considered. They were content to confine their treatment to certain phases of the question which they tried to answer. Their omissions become more evident if we examine the work of Uztariz who saw the situation more completely than did the rest of the politicians who set themselves to the task of bringing Spain back to its former prosperity.

## CHAPTER IV

### UZTARIZ AND HIS WORK

#### I. *His Superiority*

Uztariz stands out far above the Spanish economic writers of his time. While the Spaniards remember him as one of the most able and influential of the Bourbon ministers, for he occupied in the government responsible posts that were the most enviable within the gift of the king, the outside world and especially those interested in Economics know him best for his suggestive economic ideas embodied in the *Theorica y Practica de Comercio y de Marina*. While the great majority of Spanish writers were content to discuss only a certain phase of the situation, failing to analyze the other causes and effects that might explain the predicament in which Spain found itself, Uztariz viewed the problem in its entirety. He had a broad and understanding grasp of his subject. Thus while some of the politicians discussed agriculture and herding, and others discoursed on trade and industry and naval reform, and still others confined their study to taxation, Uztariz saw the interrelation of all these problems, weaving them into a concrete whole in his economic system. He was the first Spaniard to write a real economic treatise.

Uztariz was not merely a scientist content with presenting the situation as he found it in an unimpassioned and detached manner; he was also a critic and a reformer of the first rank, and he wrote prescriptions for the economic, social, and political ailments of his native Spain. He was not entirely content with diagnosing the trouble as it existed, he also took the lead in the task of finding and proposing the proper remedies. As a govern-



ment official of high rank, he had the great advantage of having access to inside information concerning the economic and political policies of an absolute government, a privilege which was not enjoyed by his contemporaries or most of his predecessors. While his official position was an advantage to him, it would have been a handicap to men of less courage and conviction who would refrain from criticizing the royal policies, especially during a period when absolute monarchies under supposedly infallible men were in flower. But Uztariz did not allow himself to be subjected to such a limitation; he wrote what he thought was right in the service of science whether the conclusions that he reached were in favor of or against the accepted decrees of his government and even the time-honored canons of his religion.

As a critic of the economic system, he had a cosmopolitan background. Concerning the commercial, industrial, fiscal, and naval policies of other nations he was well informed, a knowledge that we find lacking in or rarely exhibited by his predecessors or contemporaries. His suggestions and contemplated reforms seem commonplace to the modern viewpoint, but during his time they were considered radical, even fanatical, according to the religious conception. Unlike those of other politicians, whose representations fell on deaf ears and whose works were neglected or claimed by oblivion, the reforms advocated by Uztariz found a large following both in official circles and among the economic thinkers of the day because they embodied an important and timely message for all the trading nations of Europe.

## II. *Biographical Sketch*<sup>1</sup>

Geronimo de Uztariz was born about the beginning of the last

<sup>1</sup>No biography of our author has been written. None of encyclopedias and dictionaries of political economy in any language contain any reference to his life except a very vague and inaccurate allusion, at best a guess, to the dates of his birth and death. Some of them make no mention of him at all. A few contain a very sketchy account of his work. The writer wrote to the editors of the *Enciclopedia Universal Ilustrada Europeo-Americana* for an account of his life, but failed to get a satisfactory answer.

third of the seventeenth century<sup>1</sup> in the small town of Santesteban in the kingdom of Navarre, not very far from the French border. Of his parentage and early life, very little is known. His family, which claimed membership among the Spanish nobility, was well known in the country, most of the members being illustrious men who had held public positions. The Uztariz family had been closely associated with the *ayuntamiento* or municipal council and with many *juntas* or public assemblies, his ancestors having been at one time or another *alcaldes* or mayors of Santesteban. His father and brother were also public officials prominent in local politics. While a young boy Uztariz left his town and country to enter the royal academy of Brussels where he studied military science. He entered the royal army after completing his studies and saw service for ten years, gaining rapid promotions in the Spanish infantry. He received his first baptism of fire at the beginning of the War of the Spanish Succession where he distinguished himself for bravery and rare valor. He served his king's army abroad and, after the war was over, returned to Spain and stayed there for a year. After this short visit to his native land he was attached to the Marquis of Bedmar as first secretary of the "general government of the armies" of Flanders, which post he held with merit for six years. During his stay in Flanders he became enamored of a lady of Spanish origin, the daughter of a high military officer, whom he married in 1696. Of this union there was born a son, named Casimiro, who, like his illustrious

<sup>1</sup>The exact dates of his birth and death are not definitely known. Ingram sets the date of his birth at 1689. See, Ingram, *A History of Political Economy*, (London, 1923), p. 315. I quote a part of the letter sent to me: "Jeronimo Uztariz, economista espanol, n. en Santesteban en los primeros años del último tercio del siglo XVII, m. entre 1730 y 1742." A French writer, Andre Mounier, who assigns as the date of his birth November 16, 1670 and of his death February 1, 1732, is more definite. He produces public documents citing and quoting from the birth register of Santesteban and the death register of Sta. Maria to prove the authenticity of these dates. See Mounier, *Les Faits et la Doctrine Economiques en Espagne sous Philip V, Geronimo de Uztariz* (1670-1732) (Bordeaux, 1919) pp. 200-201.

father, distinguished himself as secretary and minister of several councils and assemblies.

The distinguished service of Uztariz in Flanders earned for him a promotion, and he became first minister of the government of the Vice-Kingdom of Sicily in 1705. He held this post for two years, when he was again called to fill a higher office and was permitted to enter the Military Order of Santiago. He returned to Spain in 1707 during the reign of Philip V, the first of the Bourbons. He arrived in his native land during a new period—a period of economic reconstruction after the extravagance and ostentation of the Austrian Dynasty had exhausted the wealth of the country and left Spain in penury. It was a period that sorely needed reforms in the governmental machinery and in the various phases of the economic life of the nation. With his stock of experience gained from service abroad, both in Flanders and Sicily, and from his travels throughout the greater part of Europe, Uztariz brought a trained mind and a wealth of experience to the great task that he was called upon to perform by his king. He was successively appointed Minister of War, Secretary of the Council of Commerce and Finance, Secretary in the Council and Chamber of the Indies, and the Secretary of the Board of Trade and the Mint.

Before coming one of His Majesty's ministers, he had visited most of the countries of Europe as a soldier. His extensive travels in Flanders, Sicily, Holland, France, England, Germany, and Italy enabled him to observe the industries, agriculture, and trade of these countries, and he was impressed by the flourishing state and opulence of their commercial cities. He had occasion to observe the methods by which these countries, especially France and Holland, attracted the wealth and the precious metals of Europe across their borders, and he sought to apply the same methods to remedy the economic ills of his country. As a high public official he viewed with the greatest concern the distress and depth of poverty and helplessness into which Spain had fallen. His interest in

economic problems was first demonstrated in a concrete form when he wrote an approbation of a book entitled, *The Commerce of Holland*, translated into Spanish in 1717, in which he gave an account of the economic decrees formulated by Louis XIV with the advice of his able minister, Colbert.<sup>1</sup>

As an economist Uztariz is known chiefly for his principal work, published in 1724, *Theorica y Practica de Comercio y de Marina*, or, translated into English, *Theory and Practice of Commerce and Maritime Affairs*, in which he set forth his economic conceptions of commerce, manufactures, taxation, and navigation, and the means by which he proposed to restore the lost power and wealth of Spain. This work earned for him the rare distinction of being the only man in the different councils of his Majesty well-versed in the economic problems of the day. By this work he elicited the favorable comments of some of his prominent contemporaries,<sup>2</sup> and is regarded by some writers as "the first Spaniard that has made a name in Political Economy".<sup>3</sup> He discussed at great length and with fearlessness the economic state of Spain, demonstrating an erudition surpassed by only a few. His great amount of information on the trade and navigation of Spain impressed the king, and when the post of Secretary of the Board of Trade became vacant in 1724, Uztariz was recognized as the logical man to fill the vacancy. When the Board of Trade was united with the Board of the Mint three years later, he was again honored with appointment as secretary. It was in this capacity that he exerted his greatest influence upon the commercial

<sup>1</sup>Uztariz, *Theorica*, cap. xxvi.

<sup>2</sup>In his introduction to the French translation of *Theorica etc.* in 1753, Forbonnais pays a high tribute to Uztariz. He says: "Un citoyen zele, d'un tres-grande penetration & d'un sens admirable, distingue d'ailleurs par ses emplois, Don Geronymo de Uztariz, enterprit le premier d'eclairer ses compatriotes", Introduction, p. viii.

Again: "Don Geronymo ecrivoit sur une matiere inconnue & parmi des hommes prevenus; il ne laissoit échapper aucune occasion de rappeler ses principes & ses maximes, même aux depens de l'ordre & de l'economie du discours: j'ai cru n'avoir pas besoin des mêmes precautions, & je fuis fur qu'elles auroient de plus au plus grand nombre des Lecteurs", *Ibid*, p. xi.

<sup>3</sup>Cf. *Grand Dictionnaire Universel*, vol. 15, p. 689.

policies of his country, initiating numerous reforms in the organization of the Board and making the department a source of reliable information about the condition of trade within the Peninsula.

His services were not confined to the routine of his office as secretary of the Board of Trade and the Mint; on several occasions he was called upon to make an investigation and a study of certain public problems of economic significance. On one occasion, April 18, 1727, he was called by the Prime Minister, Patiño, to make a study of the royal cloth factory in the city of Guadalajara, and as a result of this study he put out a report entitled, *D. Jeronimo de Uztariz Represdo Lo Que Sele Ofrece, Obedeciendo la Orden de S. Illma Sobre Haver Reconocido la Fabrica Royal de Paños de la Cuidad De Guadalaxara*.<sup>1</sup> In this manuscript he discussed the causes of the industry's decay and suggested remedies to restore it to a profitable basis. A few months later the Prime Minister again called upon our author to determine the amount of cloth in the factory of Guadalajara and in the royal warehouse at Madrid. In connection with this investigation he published another report entitled, *Resumen De Las Prezas de Paño Que Existen En La Fábrica de Guadalajara y En El Almacén de Madrid Hasta 15 de Diz. de 1727 Segun Parece De Las Dos Relaciones Adjuntos*.<sup>2</sup>

His brilliant official career was terminated by his death at the age of 62. His death marked the passing of one of Spain's most famous economists and one of the most radical and zealous mercantilists. Throughout his official career he was a great admirer of Colbert; it can be said that what Colbert did for France in the way of economic reforms, Uztariz sought to realize in Spain, although in a modified form. Two generations later, *The Wealth of Nations*<sup>3</sup> was translated into Spanish but, even though the spirit of laissez faire reached the Peninsula, the ideas of the mer-

<sup>1</sup>*Archivo General de Simancas*, Secret de Hac. leg. 759.

<sup>2</sup>*Ibid.*

<sup>3</sup>The *Wealth of Nations* was translated into Spanish for the first time by Lic. D. Josef Alonso Ortiz, Valladolid, 1794.



cantilists, especially those of Uztariz, continued to influence public policy.

### III. *His Work*

The work entitled, *Theorica, y Practica de Comercio, y de Marina, en Diferentes Discursos, y Calificados Exemplares, Que, Con Especificas Providencias, Se Procuran Adaptar á la Monarchia Española Para su Prompta Restauracion, Beneficio Universal, y Mayor Fortaleza Contra los Émulos de la Real Corona: Mediante la Soberana Proteccion Del Rey Nuestro Señor Don Phelipe V*,<sup>1</sup> was, as we have already stated, first published in 1724 and was dedicated to Philip V, the first of the Bourbons. The importance of the work may be gleaned from the fact that it was translated into three languages, namely, English, French and Italian. The English translation was made by John Kippax in London in 1751, and a second English translation by George Faulkner in Dublin in 1752. It was translated into French by Forbonnais in 1753, and into Italian in 1793.

The work was published at a very inopportune time when Spain was groaning from the effects of centuries of uninterrupted decline dating from the second half of the sixteenth century. The book was read by the nations of Europe under the spell of the mercantilists, and the ideas enunciated were a warning note to the rivals of Spain in world trade. The author's bold and unmasked attacks and scathing criticisms of the economic order of his time so ably presented in the work and the reforms suggested, which ran counter to the prevailing practice, forced the court of Madrid to suppress its circulation;<sup>2</sup> the book, therefore, was read by only a few intimate but nevertheless influential friends. Meanwhile the author was heralded and esteemed as a great and

<sup>1</sup>*Theory and Practice of Commerce and Maritime Affairs in different speeches and qualified examples, which, with specific measures the Spanish monarchy endeavor to adopt for its prompt restoration, universal benefit, and greater strength against the rivals of the crown; by means of the sovereign protection of Philip V.*

<sup>2</sup>See Dedication of the English translation by John Kippax.

fearless reformer, and was accordingly showered by his compatriots with honors and praises which he fully deserved. A work of such importance could not for long be kept on secluded shelves to gather dust; when a more stable economic condition was established in the country in 1742 it was published for the second time. The second edition, reprinted in 1757, was practically merely an enlargement of the first.

The *Theorica y Practica de Comercio y de Marina* was regarded very highly by the contemporaries and followers of Uztariz. Don Bernardo Ulloa, in his *Restablecimiento de las Fabricas y Comercio Español*, written in 1740, accepted the principles laid down by Uztariz, and incorporated an extract from the book. In a certain sense the work of Ulloa may be regarded as an elucidation of the conceptions of his more able countryman. John Kippax, the English translator of the work, is very extravagant in his praise. He considers it "the most curious, useful and thorough scrutiny into the trade and present state of the Spanish monarchy that has ever appeared in any part of the world."<sup>1</sup> Other writers also heaped laudatory comments on the work. D. Manuel Colmeiro, the well-known Spanish economic historian, speaks of it as an excellent treatise on the political economy of Spain during the time of Philip V.<sup>2</sup> Palgrave characterizes it as "a rich mine of information on the population of Spain, its system of taxation and of colonial government and its commercial policy."<sup>3</sup> John Kells Ingram refers to the work as one "in which he (Uztariz) carries mercantile principles to their utmost extreme."<sup>4</sup> Father Joachin de Villareal yields to none in praising the work. He says: "For as this treatise lays the foundation of our recovery, by chalking out infallible means to obtain it, it has such superior merit, as to deserve to be engraven in golden letters, and consecrated to

<sup>1</sup>Kippax, Dedication of English translation.

<sup>2</sup>Colmeiro, *Biblioteca de los economistas españoles de los siglos XVI, XVII y XVIII*; See Uztariz.

<sup>3</sup>Palgrave, *Dictionary of Political Economy*, (London 1909) vol. iii, p. 604.

<sup>4</sup>Ingram, *op. cit.*, p. 76.

eternal honor in the temple of fame.”<sup>1</sup> And he continues: “Here Spain meets with abundant cause to weep over the melancholy picture which the author has drawn of the deplorable situation she is reduced to. Here is seen a vigilance and industry in other nations, that has undermined and defeated the wisest and most vigorous efforts of our court. Here is discovered a plain and safe path, leading us out of fatigue and misery to ease and riches: in short, Spain will find, in this work, everything that is requisite to put her in possession of the felicity she aspires after.”<sup>2</sup> D. Antonio de Antequera, in giving permission for its publication, proved himself a true Spaniard when he regarded its publication as of great utility to the public for the good documents and rules that it included, all of which would aid the increase of commerce and manufactures in the country.<sup>3</sup>

In his preface, Uztariz stated that he had consulted all available sources of information at his command, and travelled over France, Italy, England, Flanders, Holland, and the western part of Germany, gathering knowledge in the large ports and emporiums of trade concerning what is always defective and doubtful in the realm of pure speculation. What distinguished the work above the rest was very ably stated by Father Villareal: “For what political writer has represented so particularly, the miseries of this kingdom, its deserted provinces, its uncultivated lands, the ruinous condition of its towns, the decay of its manufactories, and an inconceivable prejudice arising from a passive commerce? Which of them has set forth, in a full and clear light, the prosperity of the neighbouring kingdoms, the vast number of their inhabitants, the extent of their manufactories, the perfection of all their

<sup>1</sup>The Approbation of Father Joachin de Villareal of the Society of Jesus, and its acting Procurator-General for the Province of Chili, see Kippax, English translation, vol. i, pp. ii-iii.

<sup>2</sup>See Kippax, English translation, vol. i, p. iii.

<sup>3</sup>D. Antonio de Antequera, “. . . considerandole utilísimo para el beneficio del publico, por los apreciables documentos, y reglas que incluye, conducentes á aumentar en estos Reynos el Comercio, y Manufacturas”, See the statement of permission to publish the book, *Theorica*.

fabrics, the flourishing state of their active commerce, and the amazing wealth which their people have amassed by this channel? Who has taught us their maxims of government, or laid down the plan they pursued to advance themselves to the prosperity and grandeur they have acquired? . . . All this is done by our author to admiration."<sup>1</sup>

An analysis of the contents of the work reveals the author's possession of a very extensive erudition and a gift of forceful and persuasive eloquence. The observations and experiences of an extensive traveler with a keen eye for industrial and commercial activities are recounted in a very interesting and enlightening narrative. But Uztariz did not follow a definite system in writing his treatise. His ideas were not expressed in a logical order; he discussed the interrelation of the different economic subjects without treating each one separately, for example, the importance of goods manufactured on trade, and in turn the effects of high taxes on the progress of manufactures. Despite these faults, Uztariz turned out an excellent piece of work. The *Theorica y Practica de Comercio y de Marina* is more than an economic treatise; it is an appeal not only for economic reforms but also for political, social, and religious reforms for the promotion of the economic well-being of the country.

<sup>1</sup>See Kippax, English translation, vol. i, pp. iv-v.

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## CHAPTER V

### HIS THEORY OF ECONOMIC ACTIVITY

#### I. FUNDAMENTAL IMPORTANCE OF FOREIGN TRADE

The fundamental theory of the work of Uztariz, around which all his discussions cluster, is the maintenance of an extensive and profitable trade or, from his point of view, an excess of exports over imports. He believed that national wealth would be attained and preserved by bringing about a state of affairs in which the country exported more than it imported. Political, social, industrial, and fiscal reforms, he thought, should be brought about to realize that fundamental concept of a favorable balance of trade, which he considered coterminous with prosperity. Uztariz discussed the promotion of industries, especially textile industries, the problem of population, money, naval and shipping reforms, and fiscal reforms with reference to the encouragement of a profitable trade. Commerce was regarded as the most important agency for restoring the former opulence of Spain, and for that matter of any country. But a profitable commerce can not be attained unless it is supported by good manufactures, and in turn, good manufactures can not be established and made to flourish unless the state is willing to grant indulgences and exemptions from taxes. Uztariz attempted to offer a theory of prosperity in the following statement: "It is evident that in monarchies, kingdoms, and republics, there can never be a numerous population, abundance, or splendor, neither armies, fleets, nor fortresses to protect and render us respectable without the aid of an extensive and profitable commerce; nor can an extensive and profitable commerce subsist without the concurrence of many good manu-



factures, particularly of silk and wool; nor can such manufactures be established and preserved unless favored by indulgences and exemptions from duties, at least upon some of the subsistence of the working hands, and the materials employed in woven and other commodities, as well as in their sale."<sup>1</sup>

Uztariz did not pretend to give a formal definition of commerce, but one could easily be framed by quoting passages from his work. He says that "commerce principally consists of the purchase, sale, or barter of woven goods, fruits, and other things, and their transportation by sea and land, both at home and abroad."<sup>2</sup> Commerce, he pointed out, is divided into two categories, namely: profitable and injurious commerce. An injurious commerce is one in which a nation buys more than it sells, causing an unfavorable balance of trade; in the case of Spain for two centuries before our author wrote his treatise the balance was unfavorable; and although Spain was the ruler over dominions rich in gold and silver, there was no country in Europe so destitute of the precious metals. The importation of foreign goods, he believed, was not a bad thing per se, a more enlightened conception than that held by the two preceding writers we have considered, but what Uztariz aspired to was an excess of exports over imports, the only effective means of checking the extraction of gold and silver from Spain. Abundance of treasure from the point of view of Uztariz and the rest of the writers under consideration meant wealth and power which in turn meant respect on the part of other nations. But gold and silver can not be kept long in any country, except in the

<sup>1</sup>Es evidente, que en las Monarchias, Reynos, y Republicas no puede haver poblacion grande, abundancia, esplendor, ni Exercitos, Armadas, y fortalezas, que las resguarden, y las hagan respetables, sin el auxilio de un Comercio grande, y util: No puede haver Comercio grande, y util sin la concurrencia de muchas, y buenas manufacturas, particularmente de Sedas, y Lanaz; y no se pueden establecer, y conservar muchas, y buenas manufacturas sin el apoyo de proporcionadas franquicias, y exemptions, á lo menos en algunos de los comestibles, que consumen los Operarios, y en los materiales que emplean en los texidos, y otra compuestos, y assimismo en la venta de ellos, *Theorica*, p. 2.

<sup>2</sup>Consistiendo principalmente el Comercio en compra, venta, y permuta de texidos, frutos, y de otras cosas, y sus avios por Mar, y Tierra, dentro y fuera de los Reynos propios, *Ibid*, pp. 2-3.

form of jewelry, if they do not serve the purposes of trade as the basis of credit. Uztariz cited with meticulous detail the testimony of Moncada and Navarrete<sup>1</sup> that gold and silver to the huge amount of five billions, that had come from the Indies from the time of the discovery to 1724, had found a final home in the safety vaults of other nations. Uztariz showed symptoms of being continually afflicted with the nightmare of an injurious trade bedeviling Spain. "For it is an infallible maxim," he said, "that the more our importation of foreign merchandise shall exceed the exportation of our own, so much more inevitable will be our misery and ruin at last, and the damages that usually result from such a traffic on the whole kingdom are even greater than those that have been felt from the most devouring locusts."<sup>2</sup>

Spain, Uztariz was convinced, should address itself to the task of adopting measures that would facilitate the selling of more goods to foreigners than it bought from them, for "here lies all the secret, good conduct and advantage of trade";<sup>3</sup> he felt that a profitable commerce was possible only when the purchases were less than the sales or, at least, when there was a balance between the two. Our author, however, exhibited a very elementary conception of international trade in his failure to consider that foreign balances are created not only by actual goods but also by the import or export of services or capital now known as the "invisible items" of trade. For such a misconception Uztariz should not be blamed too severely for even the classical economists and their immediate successors did not place great emphasis on this idea in their writings. Uztariz failed to grasp the core of the problem, namely, that no nation can continue selling indefinitely unless it

<sup>1</sup>*Theorica*, p. 6.

<sup>2</sup>. . . porque es principio constante, que quanto mas excediere la entrada de las mercaderias estrangeras á la extraccion de las proprias, tanto mas inevitable será nuestra ultima miseria, y ruina; siendo los daños, que esto suele causar en todo el Reyno, aun mayores, que los de las mas crueles Langostas, *Ibid*, p. 4.

<sup>3</sup>. . . que es en lo que estriva todo el secreto, buena direccion, y utilidad del trafico, *Ibid*, p. 7.

also buys, that profitable commerce can be attained only when the country is the home of thriving manufactures of all sorts that provide the articles of trade. Obviously trade conducted on the basis of the country's own manufactures is more profitable than if the goods traded were imported. "For let commerce be once set on foot no matter how, or by whom, the cash of the original stock is always in search for the first proprietor of the merchandise whose gain is usually more than the net profits of those that buy and sell. This is confirmed by many rich cities of the Mediterranean, the North and other parts, for those that flourish by their own manufactures are more in number than those that prosper only with the benefit of buying and selling."<sup>1</sup>

Trade holds many profitable benefits for a country. The improvements of manufactures through profitable trade, Uztariz believed, would render the country more populous, and would bring about an increase in the revenue, especially the *alcabala* and millones arising out of more frequent and greater volume of sales and purchases and a larger consumption of goods. Agriculture and all the arts and industries would receive encouragement, which is conducive to greater prosperity. In his happy contemplation of the beneficent effects of a flourishing condition of trade on the country and its inhabitants he took occasion to mention incidentally a very obscure idea of prices in relation to demand and supply. He observed that "where there is a great deal of trade, the people are very numerous; where there are numerous people, there is a great consumption of provisions and other things; and where the consumption is great, the prices run very high".<sup>2</sup> His

1. . . porque hagase el Comercio, como, y por quien se quisiere el dinero del capital busca siempre al primer dueño de la mercadería, cuyo valor suele importar regularmente mas, que la ganancia líquida, que sacan los que venden, y compran, como se acredita en muchas Cuidades opulentas del Mediterraneo, del Norte, y otras partes, siendo mayor el numero de las que florecen por sus maniobras, que el de los que prosperan solo con el beneficio de compra, y venta, *Theorica*, p. 14.

2. . . que donde reside un gran Comercio, hay mucho Pueblo; donde mucho Pueblo, gran consumo de viveres, y de otras cosas; y donde gran consumo, precios mas crecidos, *Ibid*, p. 234.

conception of the theory of value will be further discussed in the next chapter when we consider his views on industries.

One of the distinguishing features of the fundamental conceptions of the mercantilists in regard to trade was their unswerving faith in protection as the cure-all for all economic ills. Always striving to maintain a favorable balance of trade, they kept the importation of foreign goods under strict surveillance and, as the most effective expedient of keeping importation to a minimum, resorted to the imposition of high import duties. Uztariz shared the views of his contemporaries in this respect. The "home industry argument" in favor of protection was advanced by him with the zeal of the most ardent protectionist in a statement that "the introduction of large quantities of them (foreign goods) destroy our manufactures, by lessening the consumption of our own goods".<sup>1</sup> But while he was a protectionist he differed very radically from the more modern view of protection; he would prohibit the introduction of foreign goods not when the industry was still in its infancy but after it had attained a certain degree of perfection, for he thought that imported commodities from abroad might serve to instruct the people. He gave his reasons as follows: "For it seems to me also that the best and most opportune time to prohibit fine cloths is when the fabric shall have been improved in these kingdoms to the degree of modern perfection, which is so much desired; and as it is not yet so, the fine cloths that come from abroad serve to instruct and stimulate our people and inspire them with an emulation to equal other nations in this and other manufactures."<sup>2</sup>

There should be exceptions, Uztariz believed, to the application of the principle of protection; the duties should be very moderate

<sup>1</sup>. . . pues ademas de que con su abundante introducion, se destruyen nuestras manufacturas, impidiendo el consumo de los propios compuestos, *Theorica*, p. 248.

<sup>2</sup>. . . pareciendome tambien, que la prohibicion de Paños finos seria mejor, y mas oportuna, quando la fábrica de ellos, en estos Reynos, estoviesse en la perfeccion moderna que se desea; porque no estandolo todavia, lo bueno que viene de afuera sirve de conocimiento, emulation, y estimulo para mejorar esta manufactura, y otras, *Ibid*, p. 251.



upon the importation of materials and articles of prime necessity.<sup>1</sup> While he was a thoroughgoing protectionist, he was not a blind slave to principles which, on purely theoretical speculation, would lead to his desired aims. He was at the same time a practical politician who always took a broad point of view of the particular problem before him. A further consideration of his views on customs duties will be dealt with in a later chapter which is devoted to a discussion of his tax reforms. The influence of Uztariz is not wide, because of his theoretical exposition of the different economic problems that confronted him, but he commanded the respect and admiration of his contemporaries because of the soundness of his criticisms and the reforms he advocated with pious zeal to restore the prosperity of the kingdom. Uztariz cited the practices of different nations in regard to trade, especially those of France, England, and Holland, and recommended that Spain institute reforms following the examples of these countries. A great admirer of Colbert in France and the measures adopted by this famous minister to improve French trade, he wanted Spain to follow in the footsteps of her neighbor. It was a part of the French tariff policy, when Colbert was Prime Minister, to charge lower export than import duties, and Uztariz reproduced at length and in great detail the rates charged for different kinds of commodities exported and imported into France.<sup>2</sup>

But Uztariz was by no means a blind and thoughtless follower of French policies; he was, at best, an eclectic politician. The protective tariffs of most countries during this period put smuggling at a premium, and made it a profitable though a very risky occupation. This evil is as old as the tariff itself, and its greatest appeal was for people who disdained to follow the tedious path of deriving more modest profits during the era of extreme protection when the doctrines of the mercantilist held sway. No nation could claim immunity from it, but it was strongest in countries

<sup>1</sup>*Theorica*, p. 297.

<sup>2</sup>*Ibid*, pp. 47-52.



where the duties were the highest. The penalties against smugglers in France were most severe. By an ordinance of 1701 it was provided that every trader or merchant who defrauded the king of his duties should be declared infamous and incapable for life of engaging in any business or traffic. No person whatsoever would be allowed to have any trade or correspondence with him, and all titles acquired were to be forfeited.<sup>1</sup> Equally severe penalties were imposed on revenue officers who aided in the violation of the laws. Uztariz wanted it made clear that these penalties were not proposed as examples for imitation by Spain in all their rigor, but only to serve as a guide in providing such measures as should seem justifiable.<sup>2</sup>

Our author found much to admire in the English policy in regard to trade and navigation. While he accepted the general principles upon which the English tariff regulations were based, he did not entirely approve of the Corn Laws which "will raise great astonishment almost everywhere from the novelty of the thing, and its contradiction of what seems prudent at first sight".<sup>3</sup>

The commercial policies of the Dutch were next considered and criticized by Uztariz. The Dutch outrivalled all other nations in foreign trade during the seventeenth century, and the Dutch merchant vessels were a common sight on all the seven seas. Endowed by nature with a barren soil, the Dutch had to resort to other means of making a livelihood; they depended chiefly on trade, and Holland was the middleman among the nations of early modern times. Uztariz observes: "It is certain and notorious that in spite of a small sandy district, which nature has allotted them, they singly carry on more trade in all the four quarters of the world than the great powers of France and England combined."<sup>4</sup>

<sup>1</sup>*Theorica*, p. 53.

<sup>2</sup>*Ibid*, p. 53.

<sup>3</sup>. . . causará grande estraneza casi á todas, por la novedad, y por las reflexiones repugnantes, que se ofrecen á la primera vista, *Ibid*, p. 67.

<sup>4</sup>. . . siendo cierto, y notorio, que, á pesar del corto, y arido distrito, que les destino la naturaleza, hacen hoy ellos solos, en las quatro partes del Mundo, mas Comercio, que las grandes Potencias de Francia, é Inglaterra juntas, *Ibid*, p. 73.

The Dutch could not maintain a profitable trade by depending solely on their manufactures and on the products of their soil, for they were found to be deficient in both; they made up the balance of what they imported from the profits realized from buying and selling the products of other countries, and also from the freight charges which their big merchant marine earned by transporting the goods of other countries. Holland was the international carrier of early modern times and the general magazine of foreign merchandise to be later distributed to different countries. And "from the extensive commerce of the Hollanders, not only in the East Indies, but in every corner of the world, and the great number of their vessels that arrive from all parts, it may be said without exaggeration that they receive a rich fleet every day".<sup>1</sup>

Unlike France and England, which charged high import and low export duties calculated to protect and encourage the home industries, Holland adopted a different tariff policy. Lacking in infant industries to be protected from foreign competition, and depending principally on the purchase and sale of foreign goods, Holland made both her import and export duties on goods very moderate in comparison with those of other countries. Learning a good lesson from the policy of the Dutch, Uztariz recommended a reform in the trade policy of Spain toward the American colonies by reducing the import and export duties on the commodities from the colonies to the mother country. For "in this case" he thought "there would come over larger quantities, especially cocoa, sugar, hides, tobacco, and select kinds of wood; and as the whole could not be consumed in Spain, by this means the exportation of them to foreign countries would be made easy, and we should deprive other nations of the opportunity and advantage of procuring them in the Indies. For they would find it more convenient to

1. . . . que segun el gran Comercio, que los Holandeses hacen, no solo en las Indias Orientales, sino tambien en lo restante del Mundo, y los muchos Navios suyos, que de todas partes llegan á su Pais, se pudiera decir, sin ponderacion, que todos los días reciben una Flota muy rica, *Theorica*, p. 77.

export them from Spain, after his majesty's subjects had reaped the benefit of the freight and some other advantages, and the royal revenue had been augmented by the duties upon exports from the Indies, and imports into Spain, and also their reexportation".<sup>1</sup>

The traffic in arms and munitions constituted a not insignificant part of international exchange during early modern times. Her traditional policy of being always prepared and the inherent fear of Spain regarding the possibility of strengthening her enemies, especially the Moors in northern Africa, prevented the country from participating in this lucrative trade. There were plenty of materials in Spain for the manufacture of weapons and some of the Spanish cities in medieval times had been noted for the manufacture of arms and munitions. Uztariz, with a keen eye for means to increase the nation's trade, proposed that under state regulation and control the export of arms and munitions should be allowed after his majesty's armies and garrisons had been fully provided for.<sup>2</sup>

Like some of his predecessors, Uztariz showed himself not entirely immune from the ethical teachings of the Church Fathers; he was against the luxury of dress in which the use of gold and silver stuffs was involved, these goods being mostly imported.<sup>3</sup> The use of luxurious dress was prohibited from medieval times to a comparatively late period, still within the memory of the oldest living Spaniard. The sumptuary laws had been handed down by the Catholic Kings to the House of Austria which, in turn, bequeathed the tradition to the Bourbons. While in medieval times

<sup>1</sup>En tal caso vendrian en mayor cantidad, especialmente el cacao, Azucar, Cueros, Tabaco, y Madera exquisitas; y no pudiendose consumir todos en España, se facilitaria por este medio su extraccion para otros Países, y se quitaria á las Naciones la ocasion, y utilidad de ir á buscarlos, y traerlos de las Indias; pues tendrian mas conveniencia en venir á sacarlos de España, despues que los Vassallos de su Magestad huviessen desfrutado el importe de los fletes, y otras utilidades, y aprovechados la Real Hacienda de los derechos de la salida de Indias, de los de su extraccion, *Theorica*, pp. 79-80.

<sup>2</sup>*Ibid*, cap. xxxvii, p. 86.

<sup>3</sup>*Ibid*, pp. 113-117. Cf. Moncada, *op. cit.* p. 8; Mata, *op. cit.* disc. v.

the ethical and religious aspects of the problem were the prime consideration, luxury in modern times has been condemned on economic grounds. The economists of the seventeenth and eighteenth centuries, with the exception of a few like Mata, failed to see the connection between the demand for articles of luxury and the delicacies of life and the economic progress of the country. Once the demand is created, the means of satisfying it will certainly follow, which means the awakening of the people to greater activity. But Uztariz feared that the importation of costly stuffs had drained the country of its gold, its life, and its source of strength.<sup>1</sup>

As we have pointed out, Uztariz was more of a practical politician than a theorist. Almost every chapter of his work he crowded with some kind of practical suggestions for reforms to promote trade. Although the principal aim of Uztariz was the encouragement of foreign trade, domestic traffic also found a modest place in his system. To help the steady flow of goods from one section of the country to another and finally to foreign countries, he recommended the improvement of seaports and the deepening of rivers to render them more navigable. These rivers, he believed, should be united by a network of canals, a rather ambitious program which Spain could not afford to carry out. Uztariz also called for an extensive program of road construction which would have to be kept free from the incursions of brigands and bandits. That Spain sadly lacks facilities for internal traffic has been noticed and extensively commented upon by travelers from the beginning of modern times to the present era; the slow-moving donkey which does not require good roads has been the chief carrier of Spain's internal trade. The era of road construction, which began at an early date, can be traced from the beginning of the Roman domination when the Roman generals constructed a network of roads mainly to facilitate the movement of troops although the purposes of trade were incidentally served. The invasion of the barbarian

<sup>1</sup>*Theorica*, p. 158.

tribes checked the growth of inland transportation and the highways were allowed to rot through neglect and disuse.

Uztariz never considered an obstacle so great as to interfere with the remedies he proposed for reducing the imports of Spain. Even deep-rooted religious tradition, revered from time immemorial, and he was a pious Catholic, would not chill his enthusiasm and determination to promote at any cost the trade of Spain. Spain was a great consumer of fish, especially cod and other salted fish mostly imported from Great Britain, especially during Lent, which amounted to 120 days in Castile and over 160 days in Aragon and Navarre. To reduce the consumption of fish, which meant a reduction of imports, he would petition the Pope "that in his great wisdom he may condescend to determine upon, and establish those provisions which he shall judge most effectual and proper for a remedy, so far at least as to eliminate part of the inconveniences".<sup>1</sup>

Uztariz proposed many important changes in the administrative machinery for the promotion of trade. He recommended the appointment of factors to be stationed in the important trade centers of Europe. The advantages to trade derived from such a scheme are many. The factors would take care of the shipping orders made by Spanish merchants in foreign countries and would make assignments for the barter of one commodity for another, a method in which greater profits are usually realized than by selling for ready money. The consuls, foreign citizens as a rule, could not represent the interests of the nation with the same degree of zeal and solicitude as the factors who represent the interest of their own nationals. He, however, thought that in places where there were many Spanish families settled in trade there was no need of sending factors, since through those families a mutual correspondence might be formed through buying, selling, and

1. . . en su inteligencia se digne determinar, y establecer aquellas providencias, que juzgare mas eficaces, y oportunas al remedio, á lo menos para la moderacion de los grandes inconvenientes que se han apuntado, *Theorica*, p. 280.



depositing goods, making remittances, and other transactions. The factors were usually paid by commissions from merchants, but since Spain had not established a flourishing trade in foreign centers, Uztariz proposed that their salary should be paid by the government. The factors were not only to render service to merchants; they would also be instrumental in aiding the government by sending the materials necessary for the manufacture of arms and munitions. They were also to obtain and furnish their government with the necessary information as to what happened in the states where they resided. This, obviously, might be of great use to the government in shaping its foreign policies. The factors were to be chosen by thirteen cities<sup>1</sup> of Spain, their appointment to be subject to the final approval of the king. These officials were to be assisted by a bookkeeper of their own choice.

Spain was not only fettered by adverse conditions existing in the country but also labored under the provisions of unequal treaties with other powers contracted during a time when the bargaining power of Spain was weak because of its low credit. Uztariz recommended a reform of the commercial treaties of Spain with other powers because these treaties, in his opinion, were ambiguous and disadvantageous to the nation.<sup>2</sup> In this connection, he wanted revoked all those immunities enjoyed by foreigners which were denied to Spaniards. He also advocated an increase in the membership of the Board of Trade, and recommended that "persons of understanding and skill in commerce who, either from their own experience in mercantile affairs or by being long employed in offices, have a connection with trade, or who have

<sup>1</sup>The Spanish cities which could choose factors were Granada, Pamplona, Seville, Cadiz, Malaga, San Lucar de Barrameda, Coruna, Santander, San Sebastian, Bilbao, Carthagena, Alicante, and Barcelona. The foreign trade centers where these factors were to be stationed were Lisbon, Bayonne, Bourdeaux, Nantes, Hamburg, Roan, Amsterdam, London, Danzig, Ostend, Copenhagen, Stockholm, Petersburg, Genoa, Leghorn, Marseilles, Naples, and Messina, *Theorica*, p. 406.

<sup>2</sup>*Cf.* Ward, *op. cit.* pp. 140-142.

made this important interest their particular study"<sup>1</sup> should be appointed to this post. Citing the practices of the cities of France and other countries where there were consulships or courts, made up of private persons well versed in the conduct of trade, to decide cases or disputes between merchants for a small charge, Uztariz wished Spain to emulate their fine example. Inspired by the practices of France, Holland, and England, he further recommended the establishment of more royal academies which should serve not only as cultural centers but also as places to learn the arts that would contribute much to the advancement of the trade in Spain.<sup>2</sup> In other words, Uztariz advocated the establishment of trade and commercial schools similar to the system of our own days, a very advanced idea which had no place in the educational philosophy of his time.

### I. Colonial Trade

Colonies played a very important role in the promotion of trade. Newly discovered lands were subjugated and colonized as they supplied the raw materials needed for the factories of the mother country and furnished potential markets for the finished products. The colonizing nations of the sixteenth, seventeenth, and the first half of the eighteenth centuries extended their dominions with the avowed purpose of monopolizing the trade and riches of the colonies, and in cases where there was a conflict between the interests of the mother country and those of the colonies, the interests of the latter were sacrificed. We can not go into any detailed discussion of the abuses and injustice committed by the colonizing nations in the name of gold and trade.<sup>3</sup> The com-

<sup>1</sup> . . . personas de inteligencia, y destreza en el, ya por sus propias experiencias en el trafico por mayor, ya por haver manejado mucho tiempo estas dependencias en Ministerios, que hayan estado á su cargo, ó por su particular aplicacion á este importante assumpto, *Theorica*, p. 410.

<sup>2</sup>*Ibid*, p. 412.

<sup>3</sup>The best authority on the early history of the Spanish colonies, although not altogether free from bias, is Las Casas, *Historia de las Indias*, (Madrid, 1876).

mercial regulations of Spain with respect to the colonies were too rigid and too systematic to be carried into complete execution. The trade between the colonies and Spain and the trade among the colonies were loaded with impositions so heavy, and fettered with restrictions so severe that illicit trade was more profitable than legal trade through the galleons or registered ships.

Uztariz sought to encourage trade between Spain and the Indies by recommending a reduction in the export and import duties on goods from the colonies, but was not so broadminded and liberal when it came to the trade among the colonies. The trade of the colonies, he held, must always be subordinated to that of the mother country. Trade with the colonies began in 1495 through the port of Cadiz. It was reserved to the Spaniards and no foreigner was allowed to traffic with the New World.<sup>1</sup> The colonial trade was under the jurisdiction of the *Casa de Contratacion*,<sup>2</sup> called the House of Trade or India House, which was established in 1503 at Seville. While Columbus was making preparations for his second voyage, the king created the Council of the Indies to assist him in governing the American possessions. It consisted of eight councillors, and their advice was sought by the king on all questions of great importance in the administration of the colonies. Commercial intercourse with the colonies developed rapidly and it was found that the Council of the Indies could not cope with the numerous problems that were brought up for solution. To assist the Council of the Indies, the House of Trade was created. While the Council of the Indies held supreme and exclusive jurisdiction over the whole field of governmental activity, and was both a legislative and judicial body, the *Casa de Contratacion* took charge of the economic affairs of the colonies.

The *Casa* was "at once a board of trade, a commercial court, and a clearing house for the American traffic".<sup>3</sup> No ship could

<sup>1</sup>Colmeiro, *op. cit.*, vol. ii, p. 397.

<sup>2</sup>The best book dealing with the *Casa de Contratacion* is that by Veitia Linage, *Norte de la Contratacion de las Indias*. It is translated into English in an abridged form by John Stevens, London, 1720.

<sup>3</sup>Armstrong, *The Emperor Charles V*, vol. ii, p. 47.

sail to the Indies without leave from the President and Commissioners of the *Casa de Contratacion*. A ship was visited three times before it was allowed to sail. "The first visit is for the visitor to appoint how the vessel is to be fitted; the second, to see whether all be performed that was ordered, . . .; and third, to clear it for sailing."<sup>1</sup> In the *Casa de Contratacion* we can see a trade institution whose like we have not yet met in economic or industrial history. The efficiency of the institution was widely known throughout the world, and it was imitated by Henry VIII of England in the creation of the Trinity House at Deptford in 1512;<sup>2</sup> but for the scope of powers over trade and navigation, it was the first of its kind in the world.

Although the Philippines never had direct trade relations with Spain, the Islands were subjected to the same policy of restriction as applied in America,<sup>3</sup> being allowed to trade with Spain indirectly through Mexico. This trade was free in the beginning, but in 1593 the king issued a royal decree which restricted the size of the galleons to 300 tons and limited the amount of merchandise exported to \$250,000 on the return voyage.<sup>4</sup> This decree was evaded until 1604 when the *cedula* of 1593 was republished and strictly enforced. All Chinese goods imported into Mexico had to be consumed there and shipment of Chinese cloth to Peru was absolutely prohibited,<sup>5</sup> and in 1636 all traffic between New Spain and Peru was interdicted.<sup>6</sup> The object of all these laws is very obvious; they were intended to reserve the American market for Spanish silk, but the merchants of Manila went their own way unmindful of the existence of any royal

<sup>1</sup>Veitia Linage, *op. cit.* p. 98. Cf. Hamilton, *op. cit.*

<sup>2</sup>Bourne, *Spain in America* (New York, 1904) p. 223.

<sup>3</sup>By a curious coincidence, the Philippines have been the innocent victim of the selfish and shortsighted policies of the mercantilists, past and present. The repeated efforts of the United States Congress to limit the importation of sugar from the Philippines is an exact duplicate of the efforts of the Spanish Cortes in the seventeenth and eighteenth centuries to limit the trade between the Islands and Mexico.

<sup>4</sup>Leyes vi and xv, tit. xxxv, lib. ix, *Recopilacion de Indias*.

<sup>5</sup>*Ibid.*, ley lxxviii.

<sup>6</sup>*Ibid.*, ley lxxviii.

decree. The merchants of Cadiz and Seville were greatly incensed by the gross violation of the law and in 1635 sent a special commissioner to New Spain to investigate and enforce the provision of the decree. The commissioner performed his duty so well that for a time the galleons were empty; for instance one small vessel in 1637 carried only \$150,000 worth of merchandise. A long controversy between the merchants of Manila and those of Spain followed, and by a royal decree of 1720 it was provided that two galleons of 500 tons each should carry annually to Mexico \$300,000 worth of goods, excluding silk stuffs, and \$600,000 worth on the return voyage.<sup>1</sup> The deputies of the Philippines in the Spanish Cortes pressed the claims of the Philippine traders and pictured to the Council of the Indies that commercial depression in the Philippines had never before been so marked. Finally a royal decree on April 8, 1734 definitely permitted the silk trade with New Spain, limiting the amount of \$500,000 for the outgoing trip, and \$1,000,000 on the return voyage.<sup>2</sup> The same drama is being revived at the present time. One of the principal actors has made his exit, yielding his place to a more worthy substitute, but the theme of the play remains essentially the same.

Uztariz approved of the limitation of the trade between New Spain and the Philippines because the Chinese infidels and the Mohammedans were reaping the greater benefit of the traffic, draining America of the gold and silver which by right should go to Spain. The colonies were sought as a source of wealth for the benefit of the colonizing nation, and the moment it was discovered that such an aim could not be attained, the colonies were abandoned in favor of more profitable and prosperous regions. Spain's lack of knowledge of the science of colonial government did not reach a stage where she had to abandon her colonies; the colonies, groaning under the unbearable burden of commercial

<sup>1</sup>Foreman, *The Philippine Islands* (New York, 1899) p. 277.

<sup>2</sup>*Ibid*, p. 278.



restrictions and oppressive and crippling taxation, declared their independence, which she had unwillingly to acknowledge.

Closely allied to foreign trade in general and colonial trade in particular were the commercial companies. Uztariz made some very subtle observations in regard to the conduct of trade by commercial companies. The control of the colonies, especially in the case of the Dutch and the English, was shared by big and powerful commercial companies which in most cases possessed absolute powers and were invested with a kind of sovereignty and dominion. The Dutch East India Company offers an example of this phase of colonial history; it was given the power to appoint magistrates, admirals, generals, and governors; to send and receive embassies from kings and sovereigns; and to make peace and war at pleasure. By its own authority it administered justice to all, appointed tribunals with plenary powers, punished and remitted offenses, bestowed rewards, settled colonies, built fortifications, levied troops, maintained numerous armies and garrisons, fitted out fleets, and coined money. The Dutch East India Company brought sovereigns under subjection, and conquered and reduced provinces.<sup>1</sup> There was on foot a plan in Spain to imitate the Dutch East India Company to conduct the trade between the Peninsula and the Indies, but Uztariz came out with the following objections:

1. To conduct a trade in this fashion would be the same thing as allowing certain persons to monopolize the colonial trade. The greatest beneficiary of the lucrative trade would be the stockholders of the company.

2. A company in Spain similar to the Dutch East India Company would be more injurious than useful because it could not be invested with sovereignty, which is very essential to secure its continuance. The Spanish monarch would not delegate part of his powers to a private commercial organization.

<sup>1</sup>*Theorica*, pp. 86-87.

3. The character of the people can never be reconciled to such an ambitious scheme; they lack the coolness and temper to undertake such a project as well as the patience to wait until the business yields profits which do not come at once.

Such a recourse, in Uztariz's opinion, would not afford the speedy relief which the pressing wants of the monarchy required. He said that "the principal advantage of commerce does not arise either from its being carried on by companies, or stated fleets, or even a trade open to all his majesty's subjects, but from its being carried on, at least in the main, with the commodities manufactured in our own country".<sup>1</sup> Trade carried on by a commercial company dealing in foreign goods, which are generally much cheaper than the native goods, as it was generally practiced at that time would not benefit Spain very much because the greater part of the profits would go, as their share, to the countries that furnished the goods. "For trading by companies, made up of a certain number of proprietors or individuals who, without being associated, are yet subject to the rules of a flota, is the same in effect; it is a change of mere form, not an alteration in the main; in name, not in substance; which always depends upon its being carried on with our own commodities and fruits, at least in general; a point, that would not be secured by rich and powerful companies for these or any other proprietors whatsoever would be always seeking out where they might have goods at the lowest rates, and proper for the market, as all persons in trade do."<sup>2</sup>

1. . . que la principal utilidad de los Comercios no procede de que estos se hagan por Compañías, por Flota regladas, ó libremente por qualesquiera Negociantes particulares Vassallos de su Magestad, sino de que se practiquen, á lo menos en la mayor parte, con generos fabricados en el propio País, *Theorica*, p. 90.

2. . . porque comercio por Compañías, formadas de cierto numero de Individuos, ó por Particulares, que sin estar asociados, se sujetan á las reglas de una Flota, es question de nombre; lo accessorio, no lo principal; el modo, no lo substancial, que en este assumpto consiste siempre en que se practique con generos, y frutos propios, á lo menos en la mayor parte; lo que no se lograría aunque huviesse Compañías ricas, y poderosas, pues

Other Spanish politicians were against the establishment of big commercial companies, though on quite different grounds than those advanced by Uztariz. As in other countries of Europe the merchant guilds flourished in Spain. Organized for the expressed purpose of marketing and distributing the products of the country in a more efficient manner, the guilds had in time grown powerful beyond the control of the government. Bernardo Ward, writing in 1763, opposed the guilds and other monopolistic trading bodies which were the recipients of extensive royal favors and privileges because they impeded free competition.<sup>1</sup> But Uztariz was not content merely to oppose the establishment of big trading companies in Spain; he went a little further. In criticizing the practice of Holland, France, and England in conducting trade by means of gigantic companies, Uztariz failed to recognize the fact that the application of economic laws does not produce the same results throughout the world. A certain economic institution may prove a success in one country while it may fail in another. In an age when each country looked upon its neighbor as a competitor and an enemy, very little consideration was given to the justice of the means employed in making the country prosperous and powerful. The end justified the means. The policy of the Dutch in granting exclusive privileges to the Dutch East India Company was severely criticized by Uztariz for he thought that "such extraordinary powers, indulgences, and privileges, though essential for the support of so rich a vein of commerce, could not without great inconvenience be dispensed with in monarchies and other great kingdoms where companies should be established with an exclusive right of trade in those provinces, which their sovereigns and lawful masters are in peaceable possession of. The scheme of setting these up, with power or leave to plan colonies, and carry on trade in foreign countries,

ellas, y otros qualesquiera interesados los buscarían siempre donde los huviessen mas baratos, siendo tambien de suficiente calidad, como lo executan quantos comercian en el Mundo, *Theorica*, p. 90.

<sup>1</sup>Ward, *op. cit.*, p. 147.

such as the Dutch East India Company projected and maintained upon the spoils of the Portuguese, and afterwards at the expense of the English, might be attended with great danger and inconvenience especially if the trade projected on this plan should prove so extensive as to occasion the jealousy of other powers".<sup>1</sup>

The French and English commercial companies also did not escape his severe condemnation. The failure in France of the Mississippi Company, which was a consolidation of the old East and West India companies, and the South Sea Company in England was the principal argument he advanced against the conduct of trade by big corporations. The kind of cooperation known as big business still belonged to the future, and the economies and numerous advantages derived from doing business on a large scale were not clearly seen by Uztariz. The formation of big commercial companies in Spain did not receive any high degree of public favor for "as both these were raised to an excessive and vain height of expectation by the weakness of many, the blind avarice of some, and the futile villainy of others, they ended in tragedy, that caused the lamentation, clamors, and ruin of many, and a despair that brought others to a fatal end".<sup>2</sup>

There are cases, however, in which commercial companies invested with numerous powers and privileges, such as those the Dutch founded, are convenient and even necessary in trade. When

1. . . pero estas grandes autoridades, gracias y privilegios, aunque muy esenciales para apoyo de Comercios tan ricos, no se pudieran dispensar, sin grandes inconvenientes, en las Monarquias, ni en otros Reynos grandes, donde se creasseu Compañias, y huviessen de comerciar en Provincias, en cuya pacifica possession se hallan ya los Principes sus Soberanos, y legitimos Dueños; y la empresa de formarlas con la calidad, ó permission de introducir Colonias, y practicar Comercios en Países estraños, como lo intento, y logró la Compañia Hollandesa en el Oriente, estableciendose, y aumentandose con los despojos de los Portugueses, y despues con algunos de los Ingleses, pudiera tener grandes reisgos, y otros inconvenientes, mayormente si el Comercio, que se intentasse en esta forma, suesse tan entendido, que diesse zelos al de otras Potencias, *Theorica*, p. 87.

2. . . que haviendose elevado una, y otra á excessivo, y temerario concepto, y esperanzas, por la sobrada ligereza de muchos, por la ciega codicia de algunos, y por la futil malicia de otros, pararon en las tragedias, que publican los llantos, clamores, y ruina de muchos, y la desesperacion, que á otros causó la muerte, *Ibid*, p. 87.

the trade is carried on in regions where the king has neither sovereignty, nor a strong navy to protect the trading vessels and a strong army to protect the commercial outposts, a joint stock company of several rich merchants is necessary to fit out vessels and convoys, to levy troops, and to settle and fortify colonies, all of which would be impossible in the case of individual traders with limited funds. With these observations, Uztariz pointed out that there was no need for big commercial companies to carry on the foreign trade of Spain for the king had the distinct advantage of having extensive colonies with many good ports well fortified and provisioned, and the maritime force of the kingdom to convoy and protect the galleons and flotas that plied between the mother country and the colonies.<sup>1</sup> But with all her extensive markets in the Spanish colonies in America and elsewhere, Spain derived little profit.

## II. *Naval and Shipping Reforms*

Since trade, especially overseas trade, was in the eyes of the mercantilists the principal means of increasing the nation's riches and power, it is obvious that shipping, "the wings of commerce", would be the great concern of the trading nations. The development of shipping and of a strong naval force was regarded not only as an indispensable aid to trade but also as a way of partially solving the labor problem (although there was no labor problem then as we understand it today) by giving employment to a great majority of the shiftless element of the population, mostly beggars and vagabonds. The prevalence of piracy and the presence of corsairs who infested the seas of medieval and early modern times made the existence of a strong naval force indispensable to any nation that held any pretensions to trade supremacy. The extensive colonies with long coast-lines, which were reserved for the trade of the mother country, needed to be

<sup>1</sup>*Theorica*, pp. 94-95.



guarded against smugglers and privateers who reaped huge profits from illicit trade. The fishing industry which was very important in Spain and England could prosper only under the watchful eye of a strong navy which could keep pirates and corsairs at a distance. The system of trading in Spain, especially by means of flotas and galleons, required a strong shipping and naval force for the American trade.

Uztariz, in our opinion, yielded to none of his contemporaries in advocating a strong and efficient merchant marine and naval force that would command the respect and elicit the admiration and envy of Spain's rivals. Few could equal him and none could surpass this zealous minister in the meticulous detail with which he clothed his naval and shipping recommendations as a means of restoring the trade and power of Spain. His experiences as a soldier who had fought in the War of the Spanish Succession were of good service to him when he found himself confronted with the task of affording protection to Spanish trade both on land and on sea. He devoted thirteen chapters<sup>1</sup> to the discussion of the problem of shipping and the navy, bringing together the practices of different nations. An extensive and advantageous commerce and a strong fleet he recognized as inseparable and dependent upon one another. He very aptly put it: "I recommend the building and maintaining of many good ships, both for war and traffic, as the chief and main foundation of an extensive and advantageous commerce. For it is certain that this cannot be attained without the support of a considerable fleet; as it is on the other hand impossible to keep up a great fleet, such as the condition of this monarchy requires, and stands in need of, without the constant succor of a very extensive and advantageous commerce. So these are two inseparable companions, and one cannot subsist without the other".<sup>2</sup>

<sup>1</sup>*Theorica*, caps. lxxv-lxxvii, *Ibid*.

<sup>2</sup>. . . que se proponga la fabrica, y existencia de muchos, y buenos Baxeles de Guerra y de trafico, por principal, y primer fundamento para un Comercio util, y grande; siendo cierto, que nunca se podra conseguir

As in his treatment of other subjects which he discussed, Uztariz quoted from the works of his predecessors, and was particularly indebted to Saavedra<sup>1</sup> for his very profound suggestive ideas couched in figurative language. Saavedra referred to navigation as the support of trade in every country. "For provinces so remote," he averred,<sup>2</sup> "would be in great danger were not the oar and the sail to unite them and facilitate the sending of succor for their preservation and defense, ships and galleys being the bridges of the sea."<sup>2</sup> Nations understand each other's language by means of easy ocean communication. A country can be better protected against its enemies through the sea, while efficient sea communication offers innumerable benefits to peoples separated by large bodies of water "for it is the rudder that makes a kingdom share in the blessings and riches of all other kingdoms, one country mutually furnishing another with all its needs, necessity and convenience obliging them to maintain a friendly commerce with, and a benevolence toward mankind, from the want they have of each other".<sup>3</sup> Uztariz emphasized the fact that a large land force without the aid of a strong fleet was incapable of protecting Spain from the African corsairs who were continually at war with the Peninsula.

Writing in a turbulent period of the world's history when one nation went into war with another over a minor dispute, which in

este sin el apoyo de un considerable Armamento Marítimo; ni es doble conservar mucho tiempo una Armada grande, como la que pide, y necessita la constitucion de esta Monarchia, sin los continuos auxilios de un Comercio muy extendido, y aventajado; de modo, que siendo inseparables estas dos importancias en sus progressos, no puede existir la una sin la otra, *Theorica*, p. 169.

<sup>1</sup>Diego de Saavedra (1584-1648) was a noted Spanish writer and diplomat.

<sup>2</sup>. . . porque como consta de Provincias tan distantes entre si, peligrarian, si el remo, y la vela no las uniessen, y facilitassen las socorros, y assistencias para su conservacion; y defensa, siendo Puentes del Mar las Naves y Galeras, Saavedra, *op cit.*, *His Polis*.

<sup>3</sup>. . . porque el Timon es quien comunica à cada una los bienes, y riquezas de los demas, dando reciprocamente esta Provincia à la otra lo que le falta; cuya necesidad, y conveniencia obliga à buena correspondencia, y amor entre los hombres, por la necesidad que unos tienen de otros, *Ibid*.

our own day would require merely an exchange of notes to settle it, Uztariz considered seriously the problem of armaments not only in connection with the promotion of trade but also in connection with the safety of the country against the probable invasion of other countries that would result in the loss of prestige. Not only the naval force received his consideration but the army also claimed part of his attention. The land and naval forces in Spain during the reign of Philip V were too large and not in the right proportion from Uztariz's point of view. He recommended that Spain should equip and maintain an army of only 60,000 men, a fleet of fifty ships with 50 to 100 guns, and twenty frigates with 10 to 40 guns, a force sufficient for the navigation of the Indies.<sup>1</sup> After determining the right proportion between the army and navy, he next considered the size of the vessels to be built, their equipment, and the number of men and guns. As in the case of the other reforms he had suggested, he drew largely from the experiences and practices of England, France, Holland, and other nations, always taking the best that could be found and avoiding the weak points, to suit the conditions in Spain.<sup>2</sup> The famous Navigation Acts of Cromwell in England offered Uztariz the greatest source of inspiration. But while he found much to admire in the Navigation Acts, he severely criticized the English for "their haughty and absolute manner of resolving and carrying into execution whatever they please, and whatever is subservient to their purpose, without regard to treaties of peace, or any other consideration".<sup>3</sup> The ships of the Spanish fleet, he maintained, should be built in Spain as vessels bought from foreign countries did not meet the requirements. An added advantage of the building of ships in Spain was that it would give employment to the people who were most of the time out of work. He recounted the

<sup>1</sup>*Theorica*, p. 175.

<sup>2</sup>*Ibid*, pp. 179-185, 186-189, 194-203.

<sup>3</sup>. . . de la soberania, y modo absoluto con que determinan, y mandan executar quanto les conviene, y les gusta, sin atencion á Tratados de Paces, ni á otras respetos, *Ibid*, p. 70.

defects of the Invincible Armada that invaded England in 1588 during the reign of Philip II, attributing the defeat of the Spanish fleet not entirely to poor strategy on the part of the commanders but partly to the fact that the Armada was in constant war with the elements. The English ships were lighter and therefore easier to manage along the shallow coasts of England and Scotland.<sup>1</sup>

The ways and means of building and maintaining the fleet confronted our author, after he had outlined a plan for the size and proper equipment of the men of war. An important problem presented itself for solution, namely, finding means to provide for a fund sufficient to bear the expense without further involving the revenue or increasing taxes at the great expense of the industries. He calculated that 4,900,000 crowns would be required to maintain the 70 ships of the fleet if all were put in commission.<sup>2</sup> This item of expenditure could be met partly by the economy realized from the decrease in the expenses of the army which would be effected by his plan, and the balance could easily be raised by an increase in the duties on goods as a result of the flourishing commerce made possible through the protection furnished by the navy. No inconsiderable part of the expense could be earned by the man of war commissioned to convoy flotas, galleons, or other India fleets.<sup>3</sup> Furthermore, since only a limited number of ships is needed in peace times, the cost of maintaining a big navy would be eliminated. The idle ships could be hired out to private parties and fitted as privateers, the share in the prizes and booty to be applied to the royal revenue and the maintenance of the ships. Such a view may sound strange to more modern ears, but piracy was a dignified and honorable profession for titled persons to engage in at the time of our author and was sanctioned by public opinion. One needs only to recall the exploits of the famous English "sea-dogs", and the honors showered

<sup>1</sup>*Theorica*, pp. 194-196.

<sup>2</sup>*Ibid*, pp. 204-205.

<sup>3</sup>*Ibid*, p. 208.

upon them after a successful raid to see the justice of Uztariz's recommendations. Louis XIV placed his stamp of approval on such practices, and it was an indirect means of promoting French trade by intimidating competitors.<sup>1</sup> Uztariz further pointed out that no small profit would accrue to the royal revenue by letting some of the vessels of the fleet to private traders for the American trade.<sup>2</sup> It was wise counsel that he gave when he urged the government to keep its expenses during peace time in proportion to the revenue without losing sight of the important consideration of paying off its debts from its income, as far as the necessary demands of the government would allow, and not forgetting to afford some relief to the people by reducing some taxes and entirely abolishing others.<sup>3</sup> He sincerely pleaded that no addition to the troops and vessels should be made at any time without first securing a fund for the new items of expenditures.<sup>4</sup>

Spain possessed all the necessary materials for building and equipping ships both for the navy and for the flotas and galleons. Uztariz evinced an admirable acquaintance with the natural resources of Spain when he explicitly named the location of the materials needed for equipping the military and naval magazines. In this connection he showed himself a strong advocate of a conservation policy which should be followed to prevent the exploitation of the country's natural resources. To insure an ample and continuous supply of lumber for shipbuilding, he suggested that trees cut down be replaced.<sup>5</sup>

He also considered the problem of determining what sort of ships were best suited for the trade between Spain and the Indies. Following again the practices of other trading nations, without any attempt to depart from tried and familiar ways, he favored the use of ships of medium size. He ably answered the argu-

<sup>1</sup>*Theorica*, p. 177.

<sup>2</sup>*Ibid*, pp. 177-178.

<sup>3</sup>*Ibid*, p. 178.

<sup>4</sup>*Ibid*, p. 178.

<sup>5</sup>*Ibid*, p. 220.



ments advanced by the advocates of big ships by pointing out that it was necessary to provide big vessels with constant convoys to protect them at all times, and that all the profits in the trade would be eaten up in providing for the maintenance of the convoys. Big ships, he pointed out, are hard to manage at sea and not suitable for the shallow ports of the Indies,<sup>1</sup> and the size of the convoys would depend upon the condition of the times, and whether the country was at war or at peace with the rest of the world.

### III. *His Views on Money*

Inseparably connected with trade is money, the medium of exchange. The logical thing to do, after discussing the theory of trade as expounded by Uztariz, is to examine his views on money. Uztariz did not possess a clear conception of money; his monetary theory was defective despite his admirable exposition of trade. As in some of his other economic conceptions, he borrowed the ideas of other writers, and in this case again quoted freely from the writings of D. Diego de Saavedra. An examination of the views of Saavedra on money would help us in understanding those of our author. Money in Spain was a plaything of the kings; it suffered debasement and numerous alterations as an expedient to replenish a deflated treasury. The prodigality of the Spanish monarchs drained the public coffers, but their continuous demands for funds to finance their very expensive adventures could be easily met by altering the value of money. This practice attracted such wide attention that no writer in Spain failed to discuss the subject, either condemning or defending it.<sup>2</sup> Saavedra protested vigorously against any attempt to change the value of money, and maintained that the coin "ought to be preserved pure and inviolable as our religion".<sup>3</sup> Although he made no attempt to distin-

<sup>1</sup>*Theorica*, p. 233.

<sup>2</sup>The most brilliant work on the subject of money by a Spanish writer, although not written in Spanish, is that by the famous historian and economist, Juan de Mariana entitled, *De Monetæ Mutatione*, (Cologne, 1609).

<sup>3</sup>Saavedra, *op cit.*, *Empresa* 69.

guish the difference between the commodity value of money and money as a medium of exchange, Saavedra, nevertheless, recognized the fact that prices vary inversely with the value of money; that when the value of money falls, prices rise, and vice versa. He observed: "Commerce was embarrassed by the weight and low value of the metal. Prices were advanced, and commerce fell as it had done in the reign of Alonso, the Wise."<sup>1</sup> Saavedra was content to analyze and explain the situation as it existed, and did not offer any plan for a monetary reform, for he considered money "as the pupil of the eye of the republic, which shrinks at the gentlest touch of a hand; and our wisest way is to leave it as it is and not depart from ancient usage".<sup>2</sup> Although he was in favor of the continuance of the existing system, Saavedra ventured to lay down two rules to be followed with regard to coinage. The first of these rules was that coinage should be regular; that there should be no higher advance in the commodity value of the coin than the seigniorage. The second rule that should be adhered to was that the coin should be of the same weight and value as that of other countries, and that foreign coins should be allowed to circulate.<sup>3</sup> In other words, Saavedra aimed at bringing the standard of the Spanish coins to that of other countries.

Following up the suggestions advanced by Saavedra, Uztariz favored some form of limited legal tender as well as limited coinage as a means of keeping silver within the country and preventing copper from taking its place. He favored regulations calculated to insure a plentiful supply of bullion for the mint. According to his way of thinking, gold bullion should be brought to the mint rather than be carried away by foreigners through the channels

<sup>1</sup>Embarazose el Comercio con lo ponderoso, y baxo de aquel metal. Alzaronse los precios, y se retiraron las mercancias, como en tiempo del Rey Don Alonso el Sabio, Saavedra *op. cit.*, *Empresa* 69.

<sup>2</sup>No me atrevo á entrar en los remedios de las monedas, porque son niños de los ojos de la Republica, que se ofenden si las toca la mano, y es mejor dejarlas así, que alterar su antiguo uso, *Ibid.*

<sup>3</sup>*Ibid.*

of trade.<sup>1</sup> Uztariz clearly understood the use of bills of exchange in trade, which to him was only a temporary expedient employed by merchants to save the trouble of transporting money to distant places to meet the requirements of trade. "The belief of some people that by means of bills of exchange the drawing out of our money is to be prevented seems to deserve no consideration, since this practice is only a borrowed and temporary expedient that certain private traders employ to save the trouble of conveying money to places where it is necessary; but it is certain that the correspondents who draw these bills make up the whole at last, either in merchandise or specie; and as the commodities and fruits that are now exported from Spain are not sufficient to exchange for our trade with other countries, it is a certain consequence that on one hand or the other, what is wanting of the balance, and cannot be paid in merchandise must be made good by one nation to another in specie."<sup>2</sup>

The extreme nationalism of the mercantilists prevented their advocating measures calculated to improve the economic position of their respective countries in relation to the rest of the world. They wanted wealth and prosperity, which would mean power and prestige, and these could be best obtained by means of favorable trade. Their zeal could not be matched in promoting every other kind of economic activity to realize this end. But while the economic measures which they advocated and which were blindly carried out by ill-advised sovereigns, at first put the country in the forefront, in the final analysis greatly weakened its position.

<sup>1</sup>See Monroe, *Monetary Theory Before Adam Smith* (Cambridge, 1923) p. 195.

<sup>2</sup>. . . y parece despreciable la creencia en que se hallan algunos, de que, por medio de letras de cambio, se escusa la extraccion de dinero, pues la practica de ellos viene á ser solo como una providencia prestada, é interina, de que usan algunos Particulares, y por medio de la qual se anticipa la entrega del dinero en la parte donde se necesita; pero es preciso que los correspondientes que lo executan, se reintegren por ultimo, ya sea en mercaderias, ó dinero fisico; y como los generos y frutos, que oy salen de España, no Alcanzan á la permuta en el Comercio que hace con los demas Países Estrangeros, es consequente, que por una mano, ó por otra, se supla de un Reyno á otro, en dinero efectivo, lo que en lo general no alcanza, ni puede satisfacerse con mercaderias, *Theorica*, p. 8.

The lack of an adequate theory of money in the economic system of Uztariz and of his Spanish contemporaries, and for that matter of the great majority of the followers of the mercantile school, led them to erroneous conclusions. It has been pointed out that there was a period of inflation in the Peninsula shortly after the discovery of America as a result of the immense increase in the gold supply from the New World. The politicians complained that Spain could not compete with other countries because of the high cost of producing goods for export, and they concluded that the only remedy was to prohibit the importation of foreign goods by means of a high tariff. The influx of foreign goods, it was argued very vigorously, drained the country of its precious metals, leaving it weak and in penury. Herein, in our opinion, lies one of the weaknesses of Uztariz and the other Spanish economists in particular and of the mercantile system in general. Their argument fails before the quantity theory of money. The quantity theory in its barest outline simply means that prices vary with the amount of money in circulation; prices are high when there is an abundant supply of the means of payment and vice versa.<sup>1</sup> When the gold of America was lodged in the Spanish vaults, there was a period of unmistakable inflation. But the introduction of foreign goods in unlimited quantities, as Uztariz and other Spanish writers lamented, carried away the precious metals from the country to pay for the imports as Spain had always had an unfavorable balance of trade. The deflation of the gold supply in Spain brought about by the constant payment in specie, despite the severe laws prohibiting the transaction, brought about a period of deflation. But Uztariz and his compatriots not only failed to realize this fact but did not recognize its significance. If there was deflation the Spaniards could then produce goods at a price as low if not lower than other countries, and in that case there would be no need to prohibit the introduction of foreign goods.

<sup>1</sup>For a more thorough exposition of the quantity theory, see Irving Fisher, *The Purchasing Power of Money*, (New York, 1926), chapter viii.

But we gather from the writings of the Spanish politicians that they could not see the situation in this light.

Although Uztariz preached the gospel of nationalism, he could not be rashly accused of being a selfish and narrow-minded politician, lacking a broad outlook and comprehension, although a careless reader of his work might arrive at such a conclusion. He possessed a high respect for the rights of other nations in spite of his solicitude for the power and supremacy of Spain in trade. With a sense of absolute fairness, he wrote: "For I am of the opinion that it would be an imprudent confidence and too great an ambition to be willing to have all buying, selling, bartering, freight, and other transactions of business managed by ourselves alone; but it is neither reasonable, nor a credit to our reputation, that by our indigence and mismanagement we let the whole be conducted by foreigners, and suffer them to reap all those profits, which it is but fair, should be shared by kingdoms in general, in proportion to the advantages with which divine providence has favored each country."<sup>1</sup>

1. . . porque comprehendo, que sería imprudente confianza, y sobrada ambicion, querer que todas las ventas, compras, permutas, transportes, y demás negociaciones se hiciessen por nosotros solas; pero tampoco es justo, ni decoroso dar lugar, con nuestra indigencia, y desaciertos, á que sean los Estrangeros solos los que las practiquen, desfrutando todas las utilidades, que es razon se repartan entre todos, á proporcion de las ventajas con que la Divina Providencia dotó á cada Region, *Theorica*, pp. 396-397.



## CHAPTER VI

### HIS THEORY OF ECONOMIC ACTIVITY

#### II. THE PROMOTION OF HOME INDUSTRY

As we have already observed, industrial progress in Spain was confined to medieval times and the early years of the modern era. The Spain of the Moslems was noted for its thriving industries; agriculture was at its best. The industrial prosperity of the Middle Ages was continued under the benevolent and paternal guidance of the Catholic Kings. After the first quarter of the sixteenth century, however, there were complaints of industrial stagnation, especially in the manufacturing industries. The looms of Seville and other famous manufacturing centers which reached a big number no longer bustled with activity; vast estates lay uncultivated; the titled landlords repaired to the court, leaving tillage in the hands of serfs. Vagrants and mendicants multiplied rapidly to plague a country that was already in an advanced stage of penury and insolvency. How Uztariz viewed the situation, we shall consider in the following pages.

##### 1. *The Importance of Manufacturing*

The mercantilists attached great importance to the encouragement of industries, regarding them as the principal sources of commodities for the export trade. Of all the industries, manufacturing and especially weaving, was the most important. The textile industries were regarded as key industries and "nothing is more characteristic of mercantile policy than its devotion to

the interest of silk manufacture".<sup>1</sup> Uztariz, true to the principles of the Mercantile School, being one of its staunchest advocates, regarded thriving manufactures as the principal basis of a profitable commerce. Manufacturing to him was more fruitful of gain, riches, and plenty than the richest gold mines in the world. In this respect, Uztariz's name must never be associated with the bullionists. The establishment of manufactures, he believed, must depend not alone upon the abundance of raw materials but also upon the number and skill of the population of the country. "But care must be taken" he warned, "to estimate the advantages of each locality, number of people, materials, fruits, and adroitness of the respective districts. For in the article of manufactures, success does not entirely depend upon the quality and abundance of fruits and materials a country produces."<sup>2</sup> Although the best encouragement to the establishment of manufactures is the granting of an abatement in taxes and indulgences, Uztariz maintained that indulgences or monopolies must be granted with great caution and on the sole condition that the fabric be new in Spain and a factory very difficult to establish. He boldly remarked in the teeth of strong opposition: "But before we ever dispense with indulgences of this nature, we ought to consider the affair thoroughly, and when for special reasons it is found to be absolutely necessary in order to obtain our end, they are even then to be limited and guarded with the utmost care, lest they be converted into monopolies, that are of great profit to the proprietor but of the utmost prejudice to the public; moreover, in dispensing with them, though it be attended with the following circumstances, of its being a new fabric in

<sup>1</sup>Unwin, *op. cit.*, p. 232. Unwin regarded the silk industry as "the apple of the mercantilist eyes", *Ibid.*, p. 360.

<sup>2</sup>. . . considerando en cada una estas ventajas con la proporcion correspondiente á la calidad, poblacion, materiales, frutos, é industrias de sus respectivos territorios; bien, que en la importancia de las Manufacturas, no está el suceso enteramente sujeto á la calidad, y abundancia de los frutos, y materiales, que produce cada Pais, *Theorica*, p. 15.

Spain and very difficult to set up, there will result an improvement in commerce and a considerable advantage to the public, as happened in France and lately in Spain, in the move to revive and establish glass factories".<sup>1</sup> And again he asserted that "it would be impolitic and unjust to give to the limited manufactures a few individuals, without any particular cause, immunities and other indulgences that are denied to those of the rest of the kingdom".<sup>2</sup>

The poor condition of the Spanish industries presented a shabby picture when compared with the thriving condition of the industries of France. In historic retrospection, Uztariz quoted the decrees of Louis XIV granting pensions, subsidies, indulgences, and other inducements to encourage and reward skilled masters and artificers who had undertaken to set up manufactures of all kinds.<sup>3</sup> By emulating the example of France, he believed that all sorts of manufactures could be set up in Spain. It would be idle to expect an increase in the production of a commodity if it was not followed by a corresponding increase in the demand for, or use of, the articles produced. Goods that have no demand will never be produced, and no amount of legislation calculated to encourage the production of such goods will induce any person to invest his capital. Uztariz recognized this fact and accordingly proposed measures to create the demand for woven goods. He quoted a royal ordinance of 1719 requiring all the troops and even

1. . . pero se debe detener mucho la consideracion antes de dispensar semejantes gracias; y aun quando por motivos especiales se estimen precisas para lograr el intento, se han de limitar, y precaver con gran cuidado, para que no se conviertan en Estancos de gran conveniencia para el Particular, y de sumo perjuicio al Publico; y para dispensarlos, aunque sea con las precauciones posibles, han de concurrir, á lo menos, las circunstancias de ser nueva la fabrica en España, de dificultosa introduccion, y que de ella pueda seguirse el adelantamiento del Comercio, y considerable utilidad al Reyno, como se practicó en Francia, y ultimamente en España, para establecer de nuevo, y arraygar la fabrica de Cristales, *Theorica*, pp. 330-331.

2. . . seria desacierto, é injusticia, que á las maniobras limitadas de pocos individuos, se franqueassen, sin causa particular, las exemptions, y otras gracias, que por punto general estan negadas á las de todo un Reyno, *Ibid*, p. 333.

<sup>3</sup>*Ibid*, pp. 54-59.

the king's own guards to be clothed in woven and other goods manufactured in Spain.<sup>1</sup> While recognizing the difficulties attendant upon such a regulation, he nevertheless registered his approval of such a "prudent measure";<sup>2</sup> and in answer to the objections advanced against the quality and patterns of the cloths, he pointed out that a suitable standard could easily be complied with.<sup>3</sup> The sumptuary laws were promulgated not only because of the desire to curb luxury and extravagance in dress but also because of the solicitude on the part of Catholic sovereigns to encourage the consumption of native manufactured goods instead of foreign-made cloths.

The great majority of the mercantilists conceived of the state as a sort of artificial hothouse for the rearing of industries and they wanted production subjected to systematic regulation with the object of securing good quality and moderate price for the articles to be exported. Economic interest was nationalized and the government was made the representative head to promote it.<sup>4</sup> Uztariz did not entirely subscribe to this view; he entertained a different conception that was a decided departure from the traditional policy of the mercantile school. He did not favor government management of industries, and expressed a view the spirit of which is as modern as that of the *Wealth of Nations* when he claimed that private management of industry is more efficient and profitable, as there is a free play of self-interest. While he recognized the importance and necessity of government control, he did not fail to see the merits of private and individual management of industries. The arguments that he advanced were not very

<sup>1</sup>*Theorica*, pp. 122-123.

<sup>2</sup>*Ibid*, p. 123.

<sup>3</sup>*Ibid*, p. 125.

<sup>4</sup>"In France, we read, the state exercised over manufacturing industry the most unlimited and arbitrary jurisdiction. It disposed without scruple of the resources of the manufacturers; it decided who should be allowed to work, what things they should be permitted to make, what materials should be employed and what processes followed. Not the taste of the consumers, but the commands of the law, must receive attention. Legions of inspectors, commissioners, controllers, sworn searchers and wardens were charged with its execution". Unwin, *op. cit.*, p. 24.

different from those that the advocates of private ownership and management of industries of the present have brought forward to defend their case. "It is certain," he said, "that administrations in manufactures of this kind (cloth) are greatly burdened and attended with considerable expense; and even after great pains and charge, they very seldom advance to any considerable degree of perfection, especially in large monarchies where a variety of other interesting affairs of government can not give place and permit this particular transaction to be pursued with the steadiness and vigor which is requisite; otherwise it will be defeated for want of supplies in some articles, or by losses in others, as is usually the case, a situation at this very time experienced in the manufacture of Guadalajara, which consumes even more than the provincial revenues of the whole province with considerable annual loss to the treasury. These are disadvantages that do not befall undertakings of this kind when they depend upon a private person, who at his own expense can provide everything in season, and set every engine at work that self-interest or industry can suggest as instrumental in promoting the success of the undertaking without placing any dependence upon foreign help, which for reasons mentioned above is usually slower and less effectual."<sup>1</sup> To make manufacturing of any kind profitable, he believed that "it would be the best and surest way to turn it over to some

1. . . siendo cierto, que semejantes administraciones en esta especie de maniobras, son de grande embarazo, y de considerable gasto; y aun á costa del trabajo, y del dinero rara vez se consigue la buena calidad de lo que se labra, especialmente en las Monarquías grandes, en que el cumulo de los graves negocios del Gobierno universal no da lugar para atender á estas dependencias particulares con aquel vigor y puntualidad que se requiere, á fin que no se malogren por la falta de unas cosas, ó por el atraso de otras, como de ordinario sucede, y se experimenta oy con las de Guadalajara, que consumen aun mas que las Rentas Provinciales de toda la Provincia, con perdida annual considerable de la Real Hacienda, á cuyas contingencias no esta sujetas semejantes direcciones, quando pueden de un particular, que á espenses, y diligencias suyas puede proveer á todo en tiempo oportuno, y esforzarlo con todas aquellas disposiciones, que su industria, y la propria utilidad le pueden sugerir para assegurar el buen exito, sin estar pendiente de providencias ajenas, que suelen ser menos eficaces, ó mas tardias por las expressadas consideraciones, *Theorica*, pp. 333-334.



private proprietors, persons of understanding and fortune, who are to have the direction and conduct of it at their own risk and charge".<sup>1</sup>

In connection with his discussion of manufacturing, it is interesting to observe that Uztariz incidentally demonstrated a faint idea of the Demand and Supply theory of value. Approaching the problem from the cost of production side, he observed that the value of goods is higher in big cities because provisions and other commodities consumed by laborers are dearer than in small towns. To quote from his work: "Woven and other manufactured goods manufactured in great cities will be under some disadvantage, and must cost more, because provisions and other commodities consumed by the workmen will be dearer in those places."<sup>2</sup> From the demand side of the theory of value, it may be inferred from some of his passages, without stretching the imagination too far, that the price of a commodity is higher when the demand is great and the supply is limited. He says that "as the consumption of provisions and other things is always in proportion to the number of inhabitants everything must be dearer; for, as the community has not enough to spare, it is absolutely necessary for them to fetch supplies from a greater distance".<sup>3</sup>

A man with a practical mind, Uztariz had very little regard for any theory or mere speculation not proved by experience. Although he did not deny that manufacturing could be established in small places, he contended that it thrives best in big urban centers in spite of the fact that the cost of production is higher because there is a greater demand for goods, and there is a ready

1. . . si bien considero, que para su lugro serra medio mas util, y seguro el de ponerlas á cargo de algun Particular de inteligencia, y caudal, que las gobierne, y tenga por su cuenta, *Theorica*, p. 341.

<sup>2</sup>Seran mas costosos los exidos, y otras cosas que se labraren en las Cuidades grandes, respecto á que en ellas son mas caros los comestibles, y generos, que consumen los Operarios, *Ibid*, p. 334.

<sup>3</sup>Otra causa principal consiste, en que proporcionandose al gran numero de la Poblacion el consumo de viveres, y de otras cosas, se encarece todo, porque no bastando para abastecerla, lo que sobra de los Lugares circunvecinos, es preciso que se conduzca de mucho mas lexos, *Ibid*, p. 334.

market to dispose of the merchandise. And he proved his contention, demonstrating a high faculty of observation during his extensive travels, by citing the big cities of the Netherlands, France, Italy, and Spain which were also the centers of flourishing manufactures of different kinds.<sup>1</sup> While other writers were content merely to analyze the industrial situation in Spain, attributing the decay of the manufactures to the introduction of foreign goods, Uztariz went a step further; he suggested excellent reforms to help the rehabilitation of the different manufactures. Showing the influence of the times, most of the reforms he proposed were inspired not by the industrial genius of the Spaniards, for Spain was far behind other countries in industrial activity, but by a desire to put a stop to the influx of foreign goods into the country. He recommended the production of goods then supplied to Spain by foreigners, a measure which would lessen the exportation of money needed to pay the balance of imports over exports. With great enthusiasm he endorsed the different decrees of the king providing for the establishment of cloth, crystal, and glass fabrics<sup>2</sup> and, in addition to the various inducements in the form of pensions and abatement in taxes, he suggested the imposition of protective duties with certain limitations on the industries that were newly set up.<sup>3</sup> To ensure an abundance of raw materials for the different kinds of manufactures, he proposed that heavy export duties should be levied without consenting to any abatement or indulgences whatsoever.<sup>4</sup> On the other hand, he recommended low import duties on the importation of utensils and machines needed in the different manufactures, an incentive that would induce people to invest their capital in different industries.

<sup>1</sup>*Theorica*, pp. 335-339 *et seq.*

<sup>2</sup>*Ibid*, cap. lxiv, pp. 168-169.

<sup>3</sup>*Ibid*, pp. 159-169.

<sup>4</sup>The exportation of steel, iron, sosa, barilla, yellow wax, rugs, hides, mat-weed, and dyeing goods was prohibited to encourage the working up of these materials in Spain, *Ibid*, cap. lxxxix, p. 285.

Since Spain could not set up profitable industries because of the strong competition of foreigners, colonial industries should have been encouraged to make up for what the mother country lost. But the politicians never conceived of the colonies as manufacturing centers. As Spain did not encourage it manufacturing in the colonies did not go beyond the production of domestic necessities which the mother country could not supply.<sup>1</sup>

The colonies were regarded as a source of raw materials and a market for the manufactured goods of Spain. Uztariz discussed colonial industries indirectly in connection with trade and, in favoring the restriction of colonial trade, he indirectly discouraged colonial industries. The fear that the manufactures of the colonies would compete with those of the mother country was not confined to Spain; England and other colonizing nations shared it. Weaving woolen cloth, shawls, and robes was carried on extensively in Peru.<sup>2</sup> The silversmiths of that country made beautiful works of art in gold and silver.<sup>3</sup> In the city of Mexico there were silversmiths, painters, lapidaries, sculptors, weavers, and hatters.<sup>4</sup> The Indians were very apt pupils, but their excellence in the arts and industries was frowned upon by the politicians of the mother country. The establishment of colonial manufactures found an able defender in Bernardo de Ulloa who contended that industries not flourishing in Spain should be established in the colonies; he was among the first to point out that the industries of the same dominion would not hurt Spain even if they competed with those of the mother country.<sup>5</sup>

<sup>1</sup>Campillo y Cosío, *op. cit.*, pp. 115-116.

<sup>2</sup>Prescott, *History of the Conquest of Peru*, (New York, 1855) vol. i, p. 150.

<sup>3</sup>*Ibid.*, p. 153.

<sup>4</sup>Colmeiro, *op. cit.*, vol. ii, p. 386.

<sup>5</sup>Ulloa, *op. cit.*, Part ii, cap. xxii.

## II. *The Encouragement of Agriculture*

Agriculture did not occupy an important place in the system of most of the mercantilists as it did not offer much prospect of attaining a favorable balance of trade. As a matter of fact, the politicians sought to industrialize the country in which they were a power even if it was strictly an agricultural country. Spain was known more for its agricultural products even during its heyday than for its manufactured articles. But Uztariz and his compatriots believed that the only sure way of restoring the lost power and wealth of Spain was by means of a profitable trade which could not flourish unless aided by thriving manufactures of all sorts. It is not surprising therefore that the problems of tillage did not occupy an important place in the economic system of our author. The Mercantile School entertained views that were diametrically opposed to the belief of the Physiocratic School that agriculture is the only source of new wealth and that all other occupations are sterile. Most of the Spanish politicians, however, advocated supplementing manufacture by agriculture, believing one indispensable to the other.

In his broad statesmanship, Uztariz favored agricultural protection, although he believed that agriculture should be subordinated to manufacturing and trade because he was convinced that the progress of tillage depended upon the state of trade and the arts. He thought that "the more our manufactures are enlarged and flourish, so much easier and happier will be the circumstances even of the peasants and the nation in general; . . . our lands will be better cultivated and cared for."<sup>1</sup> "As our fruits do neither bear a reasonable price, nor find consumption in several parts of Castile since the decay of trade and manufactures, many

1. . . que quanto mas se aumentaren, y florecieren las Manufacturas, tanto mayor alivio, y conveniencien se afianzará á los mismos Labradores, y á los demas individuos . . . se cultivan, y benefician mas tierras, y con mayor cuidado, *Theorica*, p. 346.

lands lie unoccupied, and others are but very slightly cultivated; hence the rents are much reduced, and it bears very hard upon most of our gentry, convents, and other communities and private persons, whose inheritance and other estates consist of arable lands, that scarce yield enough to pay the charges of cultivation".<sup>1</sup>

A number of causes contributed to the decline of agriculture, among the most important being the excessive tributes and taxes that the farmers had to bear, the almost unlimited privileges granted to the *Mesta*, the greater emphasis on the development of manufacturing, and the expulsion of the Moors, the foremost farmers of medieval times. That the tributes and taxes weighed heavily on the inhabitants all Spanish authorities are agreed. The *alcabalas* and *cientos*, excise taxes, greatly increased the prices of necessities which meant that the burden fell on the poor. The tax on sugar about the middle of the seventeenth century amounted to 35 or 36 per cent of its value.<sup>2</sup> Other causes of minor importance were the high cost of labor occasioned by the lack of farm hands, and the numerous lawsuits that disturbed the peace of the community.<sup>3</sup> To encourage agriculture Uztariz proposed the same measures as in the case of trade and manufactures. The importation and exportation of food should be regulated, he felt, to serve the best interests of the Spanish farmers.<sup>4</sup> The production of sugar which, as we have seen, was introduced by the Moors and attained a great importance under their able management was of very little consequence

1. . . que por no tener los frutos una proporcionada estimacion, y consumo en diversos parages de las Castillas, á causa del descaecimiento de las Manufactura, y del Comercio, se dexan de cultivar muchas tierras, y otras se labran muy á la ligera, por cuyos motivos se hallan muy disminuidas las Rentas, y consequentemente padece mucha estrechez la mayor parte de los Caballeros, Conventos, y otras Comunidades, y Particulares, cuyos Mayorazgos, Dotaciones, y demas haberes estan fundados en tierras de labranza, cuyo producto apenas puede alcanzar para el gasto que ocasionan, *Theorica*, pp. 346-347.

<sup>2</sup>*Ibid*, cap. xciv, p. 311.

<sup>3</sup>Colmeiro, *op. cit.*, vol. ii, p. 92.

<sup>4</sup>*Theorica*, p. 302.



after their expulsion. Uztariz sought to revive the cultivation of sugar and aid the improvement of the sugar works, located chiefly in Granada, by the grant of various indulgencies to the farmers.<sup>1</sup> Sugar growing in Spain was also the object of royal patronage; Philip V tried the popular expedient of prohibiting the importation of sugar in an attempt to stimulate the industry.<sup>2</sup> To induce the farmers to raise wheat, barley and rye, Uztariz recommended to the government in 1650 the strict enforcement of a neglected royal order prohibiting the importation of these products.<sup>3</sup>

Other Spanish writers were more sympathetic to the cause of the forgotten tenants than Uztariz. Bernardo Ward, as we shall see later, gave a more complete discussion of agriculture; he advocated the improvement of transportation facilities and freedom of trade in grains so as to attract people back to the farms.<sup>4</sup> Sancho de Moncada also offered wise counsel regarding the solution of the agricultural problem in Spain, most important among his suggestions being the proper apportionment of the land devoted to the cultivation of different kinds of crops and diversification rather than concentration to a certain kind of product.<sup>5</sup> Most of the reforms brought forward by the politicians were doubtless very proper and timely, but the impoverished condition of the monarchy prevented their execution.

### III. *Other Industries*

With the exception of manufacturing and agriculture the occupations of Spain received scant attention from Uztariz. Fishing was encouraged by him because it provided a good school for sailors<sup>6</sup> to learn to man the flotas and the convoys needed for the

<sup>1</sup>*Theorica*, pp. 310-315.

<sup>2</sup>Ley 16, tit, xii, lib, ix, *Nov. Recop.*

<sup>3</sup>*Theorica*, p. 304.

<sup>4</sup>Ward, *op. cit.*, pp. 93 and 97.

<sup>5</sup>Moncada, *op. cit.*, pp. 108-109.

<sup>6</sup>*Cf.* Cunningham, *The Growth of English Industry and Commerce* (Cambridge, 1910) vol. i, p. 482.

oversea trade. He expected that "by the protection provided by the coast guard which has been recommended, there will be more fisheries in the Spanish seas, the number of sailors will also be considerably augmented, boys and grown up persons easily and naturally falling into this employment which is near home; and we may expect that when it has become familiar to them, they will show no reluctance, or make a difficulty of serving in the fleet, or entering themselves for distant navigation".<sup>1</sup> Spain has been famous for its fish since the coming of the Phœnicians who began the industry. The consumption of fish in the Peninsula has always been extensive, especially during holidays and days of fasting when religious requirements prohibit the eating of flesh. The decay of the Spanish fisheries, which the politicians attributed to the heavy taxes imposed, made Spain rely on English fisheries for its supply. When Spain could no longer supply the demand for dried and salted fish another important item was added to the imports of the country. To lessen the importation of this important commodity, Uztariz thought that "it ought to be a principal concern of the government to prevent foreigners from enervating the kingdom, so much as they do, by the importation of salted fish . . . codfish in particular which is known to be so considerable a part of the food of all provinces in general."<sup>2</sup> As in the case of the other industries, he followed the line of reasoning of the confirmed protectionist; he considered it a very prudent step to lay as heavy duties as treaties of peace and commerce would allow upon the importation of codfish and other

1. . . y habiendo mass Pescadores en los Mares de España, mediante el auxilio de Guarda-Costas, como he apuntado, se aumentara tambien considerablemente el numero de la Marineria, por la facilidad con que la gente moza, y la adulta se inclinan á este genero de servicio de mar, que es tambien casero; y se debe creer, que estando acostumbrados á el, no tendran dificultad, ó repugnancia en alistarse á servir en la Armada, y en viages largos, *Theorica*, p. 229.

<sup>2</sup>Merece tambien el primer cuidado del Bobierno el remedio de lo mucho que nos enflaquecen los Estrangeros con la introduccion, y gran consumo, que en España tienan los Pescados salados . . . particularmente el del Bacallao, de cuyo alimento se usa con la generalidad que se sabe en todas las Provincias que incluye, *Ibid*, p. 271.

salted fish.<sup>1</sup> To afford a strong incentive to the Spaniards to take up fishing as an occupation, Uztariz wished to accord the same privileges as those given to the laborers by exempting the fishermen from the payment of the *alcabalas*, *cientos*, *millones*, and other taxes and duties on the products of the fisheries.<sup>2</sup> Besides being a school and training ground for seamen, the fishing industry, he argued, deserved the state's aid and support for charitable reasons because the fisheries would provide a safe refuge for the aged and infirm mariners who could no longer undertake long and hazardous voyages.

It is surprising that the mercantilists, with all their efforts to keep the precious metals from leaving the country, should have overlooked the importance of mining in Spain, which was noted for its rich gold and silver mines in ancient and medieval times. "Spain, by a very singular fatality, was the Peru and Mexico of the Old World".<sup>3</sup> The existence of gold-producing colonies, however, prevented Spain from developing its own mines. The vast sums of treasure produced in the New World, of which Spain was the heir, more than supplied the needs of the whole world.<sup>4</sup> As a matter of fact the superabundance of the precious metals in Spain indirectly caused its downfall. Uztariz made no direct reference whatever to the mining industry, an attitude attributable to his marked partiality to manufacturing, he insisted, in fact, that flourishing manufactures were more important to the country than rich mines.

#### IV. *Labor and His Theory of Population*

Inseparably connected with the promotion of industry is the problem of labor supply which can be solved only through the

<sup>1</sup>*Theorica*, pp. 272-273.

<sup>2</sup>*Ibid.*, pp. 273-274.

<sup>3</sup>Gibbon, *op. cit.*, vol. i, p. 215.

<sup>4</sup>See Haring, C.H., American Gold and Silver Production in the First Half of the Sixteenth Century in *The Quarterly Journal of Economics*, vol. 29, pp. 433-474.

existence of a thriving population. A large population was regarded by many of the economic writers of the seventeenth and eighteenth century as a source of strength and wealth,<sup>1</sup> and its preservation was the object of great solicitude. The mercantilists were all very enthusiastic advocates of poor relief, charitable institutions, and other measures to ease the condition of the laboring poor. Uztariz, however, disagreed with the view of several Spanish writers of his time that the number of inhabitants in Spain was not sufficient to furnish hands for the looms. He thought it a matter of good policy, nevertheless, to make an effort to increase the number of inhabitants in Spain, especially skilled masters and artificers.<sup>2</sup> A large population to him was advantageous to the country not only as a source of a strong labor supply<sup>3</sup> but also as a source of income through taxes. He said: "Since, then, the distress of the common people is so great and notorious, and a reduction of their numbers a natural consequence of it, who will deny that a decrease of the royal revenues must ensue? . . . If therefore by such a depopulation, the number of consumers who are to pay the duties be reduced, the royal revenue must yield less".<sup>4</sup>

In expressing his views on the problem of population Uztariz frankly acknowledged his indebtedness to other writers, and quoted rather freely from the works of his predecessors and contemporaries. From *Le Dixme Royal* of his famous French contemporary, Vauban, he quotes: "And it is certain that the grandeur of the kings is in proportion to the number of his subjects; upon

<sup>1</sup>Cf. Gregory, T. E., *The Economics of Employment in England, 1660-1713, Economica*, vol. i, No. 1.

<sup>2</sup>*Theorica*, pp. 19-22.

<sup>3</sup>Cf. Furniss, *The Position of the Laborer in a System of Nationalism*, (Boston and New York, 1920) p. 12.

<sup>4</sup>Siendo, pues, tan grande, y notoria la miseria de los Vassallos, y tan consequente á ella la disminucion de la gente; quien negara, que á estas dos causas deben seguir precisamente la baxa de las Rentas Reales? . . . luego si con la despoblacion se minora el numero de los que los consumen, y contribuyen estos derechos, menos cobrará la Real Hacienda, *Theorica*, p. 22.

this depends his patrimony, felicity, riches, strength, fortune, and the principal consideration obtainable in the world".<sup>1</sup> From the *Essays* of the famous adviser of kings, Diego de Saavedra, Uztariz cited a pertinent point: "The strength of the kingdom depends upon the number of subjects. He that possesses most is the greatest prince, not he that has the largest extent of dominions; for neither attacks nor defends but by means of the inhabitants who are its greatest security".<sup>2</sup>

In connection with his treatment of the problem of population, Uztariz offered a suggestion for bringing vital statistics, a science still unknown in his time, to a degree of greater accuracy through the use of a practical method of estimating the number of inhabitants in Spain which was quite different from those in vogue. The gathering of data involving figures was extremely difficult in medieval and early modern times, and the figures given out were very rough and erroneous estimates, colored by the hopeful or gloomy imagination of the investigator. One of the earliest and simplest methods of gathering vital statistics was through the use of the records of churches in Christian countries. The ingenious method employed by Uztariz to determine the number of inhabitants in Spain was by separating them into different classes, namely: industrial population or laborers; soldiers; ecclesiastics, recipients and beneficiaries of pious foundations; and foreigners. Such a classification was, of course, open to objections for it necessarily involved overlapping and unavoidable repetitions. Uztariz first reckoned the number of families in the whole country and, by allotting five persons to a family, he could easily arrive at an estimate of the entire population. Following

<sup>1</sup>Y que siendo cierto, que la grandeza de los Reyes se mide por el numero de sus subditos, consiste en ellos su Patrimonio, su felicidad, sus riquezas, sus fuerzas, su fortuna, y la principal consideracion que logran en el Mundo, *Theorica*, p. 24.

<sup>2</sup>La fuerza de los Reynos consiste en el numero de los vassallos. Quien tiene mas, es mayor Principe, no el que tiene mas estados, porque estos no se defienden ni ofenden por si mismos, sino por sus habitantes, en los quales tienen un firmissimo ornamento, Saavedra, *op cit.*, *Empresa* 66.



this method to its logical conclusion, he calculated that there were 7,500,000 souls in Spain in 1724.<sup>1</sup>

There were different theories regarding the causes of depopulation advanced by various writers during the period under consideration, among these being the expulsion of the Moors, oppressive taxes, emigration to the Indies, war, pestilence, the excessive number of ecclesiastics, and above all the decay of industries, agriculture, and commerce. While not entirely discarding most of these theories as without foundation, Uztariz maintained that the decay of manufactures, trade, and agriculture was the only tenable explanation of this depopulation. He absolutely rejected the emigration of the Spaniards to the Indies as a cause of depopulation, supporting his contention by pointing out that although the provinces of Toledo, La Mancha, Guadalajara, Cuenca, Suria, Segovia, Valladolid, Salamanca, and other parts of Castile were the least populous parts of Spain only a few of their inhabitants had repaired to the colonies. "So that there is another cause", he said, "and I discover no other principal cause but the poverty that results from the ruin of trade and manufactures.<sup>2</sup> . . . For it is a matter of fact, and very natural for extreme wretchedness to dispirit and take away all dispositions to a married state; and many that do marry, and have families, cannot bring up their children; so that it is no small number that perish, especially in their infancy".<sup>3</sup>

<sup>1</sup>*Theorica*, cap. xviii, pp. 35-38.

<sup>2</sup>. . . con que hay otra causa, que lo motiva, y no descubro otra principal, que la pobreza, que resulta de la destruccion del Comercio, y de las Manufacturas, *Ibid*, p. 22.

<sup>3</sup>. . . porque es materia de hecho, y proprio de la naturaleza, que la extrema miseria desalienta los animos, y los aparta de la inclinacion al estado matrimonial, y que aun muchos de los casados, quando logran los frutos de la fecundidad, no pueden criar, y alimentar á sus hijos; y no son pocos los que se les malogran, particularmente en la primera infancia, *Ibid*, p. 22.

*Cf.* "An intimate view of the state of society in any one country in Europe, which may serve equally for all, will enable us to answer the question, and to say, that a foresight of the difficulties attending the rearing of a family, acts as a preventive check; and the actual distresses of some of the lower classes, by which they are disabled from giving the

Confronted with the problem of increasing the number of inhabitants in Spain, one of the means that Uztariz proposed to attain this end was the introduction of 200,000 Catholics trained in the mechanic arts and trades.<sup>1</sup> This method of augmenting the population was opposed by some of the politicians on the ground that the religion of the country would be corrupted, and the children of such foreigners would always be ready to imitate the customs of their fathers and deny Spain their affection and loyalty. While the question of assimilation of the newcomers was the object of controversy the objections unlike that raised in America and elsewhere where foreigners are denied admittance because of their race, was chiefly on the ground of religious prejudice in Spain during this period. We find sufficient explanation for this if we consider the historical background of Spain for centuries, the foremost defender of the Catholic faith. The domination during eight centuries of the Moors, a people who should have converted Spain to Mohammedanism if their prosperity had had any influence at all to change the religious belief of the nation, only enhanced the zeal, approaching fanaticism, of the followers of the Catholic faith. But underlying both of these objections, religious prejudice in Spain and race prejudice (the so-called yellow menace) in America, was a more fundamental objection to the coming of foreigners, namely, the competition of the newcomers in the economic life of the country. Uztariz ably answered the critics of this novel scheme, and drawing largely from his stock of wide experience combined historical knowledge, he asserted that good Catholics, not inferior in behavior and native capacity, were to be found in foreign countries as well as in Spain. He explained: "For it has been an observation made for many years past, that the generality of

proper food and attention to their children, acts as a positive check to the actual increase of population", Malthus, *First Essay on Population* 1798—with notes by James Bonar, (London, 1926), pp. 62-63.

<sup>1</sup>*Theorica*, p. 28.

the Spanish children born or educated in Flanders or Italy have always had and continue even to this day to have more regard for those countries than for Spain, and rather imitate the genius and customs of those nations than our own, notwithstanding it gives offence to their fathers".<sup>1</sup> It was further argued by the opponents of the measure that the earnings and profits of these immigrants would be sent to their families in their native countries, leaving Spain poorer by that amount. This argument is not entirely without foundation for even in our own day the remittances of immigrants in the United States constitute a not inconsiderable part of the heavy exports to foreign countries. In answer to this contention, Uztariz pointed out that their earnings, arising principally from their daily wages, would be very moderate, and that they would need almost their entire income for a tolerable maintenance of their families at home. Although some of the foreigners, as merchants, might make large profits this disadvantage according to his point of view would be abundantly repaired by their contribution to exports through the articles which they would produce, thus enabling the country to sell more than it bought.

To encourage the coming of foreigners and to attract them to engage in the different industries, Uztariz advocated toleration toward those who were able to settle or work in Spain. He cited with approval letters of the king sent to captains-general and intendants of the provinces entreating them to accord kind treatment to foreigners who repaired to the Peninsula to engage in the mechanic arts and other occupations which the Spaniards looked upon with great disdain.<sup>2</sup> The foreign artisan was the

<sup>1</sup>. . . pues lo que se ha observado regularmente por dilatados años, es que la mayor parte de los hijos de Españoles, nacidos, y criados en Flandes, y en Italia, tenían, y conservan aun oy mas cariño á aquellas Países, que á España, y seguian mas el genio, y costumbres de aquellas Naciones, que las nuestras, no obstante el gran disgusto, que en esto daban a sus padres, *Theorica*, p. 27.

<sup>2</sup>*Ibid*, pp. 154-156.

recipient of numerous royal favors which were denied to the Spaniards; they were exempted from local taxation and provided with convenient habitation while engaged in manufacturing.

To sum up briefly what has been said, Uztariz and the Spanish politicians regarded the encouragement and promotion of all sorts of industries, especially the textile industries, as a sure way of maintaining a favorable balance of trade. A purely commercial transaction, that of buying and selling of commodities, does not enrich a country in the same degree as when the goods traded are the products of the country. Trade flourishes only when it is supported by thriving manufactures. Uztariz gave expression to some of our present ideas of industrial control. Although a politician and a nationalist, he was yet a practical business man whose actions were governed rather by the profits of an investment than by the rigid theories of his time. A product of a school of economic thought that put emphasis on the importance of government ownership and management of industries, he dissented very boldly from this well-established doctrine of the group by putting more faith in private management to attain the best results in industrial development. In this respect Uztariz escaped the accusation of the Classical School when it attributes to the mercantilists the advocacy of governmental officiousness in industry. The infant industry argument which remains to the present day one of the principal reasons advanced for the necessity of a high tariff finds in Uztariz's passages a lucid exposition. In connection with his treatment of the promotion of industries, Uztariz only hinted at but did not expound a theory of prices, that of Supply and Demand.

A numerous population, being very necessary to furnish a sufficient labor force for the development of industries, the laborer was viewed in quite a different light in the Mercantile System from our modern conception. The mercantilists were interested in the laborer because of his ability to produce and thus to support

the export trade, and to pay taxes; our present economic system is interested in him not so much for his productive capacity as such as for his money income. Mercantile economy was concerned chiefly with production for exports; our modern economy is concerned principally with the methods of acquiring and spending money income.

The theory of population which Uztariz developed possesses some striking similarities to that of Malthus as demonstrated in his first essay on population. In connection with his discussion of labor and population, Uztariz failed to formulate a theory of wages. His passages were filled with suggestions which would lead one to expect an exposition of the principle of wages, but we can only deduce that Uztariz had in mind, although he did not express it, the cost of subsistence theory of wages which is one on the chief features of Ricardo's *Principles*.



## CHAPTER VII

### FISCAL THEORY AND REFORMS

One of the principal concerns of the politicians in Spain, during the period under review, was the matter of taxation, a popular subject for discussion not only in its relation to the promotion of trade and manufactures but also in connection with its effect on the public revenues of the king, an aspect of the problem which was more emphasized by the Cameralists in Germany. The fiscal history of Spain affords many interesting high spots that excite both the curiosity and sympathy of the historian and the economist. Spain knew at a comparatively early date the meaning of compulsory public contributions, and from the time of the Romans to the present, the Spaniards have borne the burden of taxation in all its conceivable forms. It can be said without overstating the truth that no country in the world, outside of Spain in early modern times, had tried to put into practice all forms of taxation known at the time, and it is equally true that no country committed worse economic blunders. The prodigality of her too ambitious monarchs robbed Spain of the opportunity to apply her resources to develop her productive powers. The state of the revenues in early modern times was very poor; public credit was low; the nation was in penury. It is not surprising under such conditions that nearly all of the Spanish politicians had some views on the problem of taxation. Uztariz had some very interesting ideas on the question of taxation and the public revenues, and suggested numerous reforms in the fiscal system which were also intended to cure the economic ills of Spain. Before we go into any detailed treatment of these reforms let us

first consider the fiscal theory conceived by Uztariz and the other writers included in this study.

### I. *Theoretical Views on Taxation*

As we have already remarked we find very little theoretical exposition in the writings of the Spanish mercantilists. It is surprising that in spite of the fact that most of the important economic problems that confronted the state pertained to taxation, there was a lack of theoretical discussion on the subject; the Spanish writers on the whole merely condemned or approved of the fiscal policies of the kings and what they had to say contained nothing theoretical in character. The great majority of these writers were politicians who were interested chiefly in the effective means of rehabilitating a depressed monarchy, and they had not the equipment or ability to engage in speculative generalities in their writings. The condition of the times required prompt objective reforms and suggestions calculated to remedy the miserable state of the country. We should not, therefore, expect a minute treatment of the problems of taxation, a field of study of very recent origin. It should not be forgotten that that Fiscal Science has only recently been recognized and developed as a distinct branch of Political Science in general. The theoretical ideas of Uztariz in the field of taxation were very fragmentary. Needless to say, he was not acquainted with the criteria, canons, and principles of taxation, for even today the question of terminology is a matter of controversy. However, we can gather from his scattered views on the subject and those of the other Spanish politicians that the principal canons of taxation were fairly well understood, although not explicitly stated. Adam Smith gives four maxims in regard to taxes in general; a tax, he contends, should be equal, certain, convenient, and economic. While this view has been accepted with very little modification by every fiscal scientist, present students of the

science of finance have failed to give even the slightest recognition to the Spanish writers who expounded these maxims long before the *Wealth of Nations* was written.

Uztariz did not define a tax, nor did any of the writers whom we are discussing give any formal definition. But obviously Ward clearly understood the meaning and purpose of a tax when he wrote that "all subjects have the obligation to contribute to the defense of the state, and to maintain the power of the sovereign, as well as justice and police that protect life and property; and each one should contribute according to his circumstances and in proportion to what he keeps or spends".<sup>1</sup> Analyzing this statement very carefully, we can readily see that the principles of equality and universality in taxation are clearly set forth, and that the writer believed that taxes should be compulsory and contributed for the common good. Comparing this view with our most modern definition of a tax, we find very striking similarities. Professor Seligman gives the following definition: "A tax is a compulsory contribution from the person to the government to defray the expenses incurred in the common interest of all without reference to special benefits conferred."<sup>2</sup> In advocating the abandonment of some taxes which required legions of collectors and which, in many cases, did not even yield the cost of collecting them, Uztariz had in mind the maxim of economy for the government and for the people. He recognized the principle of universality in taxation when he maintained that the ecclesiastics should not be exempted from the payment of the *almojarifazgo* or customs duties when they engaged in trade.<sup>3</sup> Without enumerating the many defects of the single tax<sup>4</sup> on grains, Moncada advocated it on the ground that all would pay

<sup>1</sup>Todos los vasallos tienen obligacion de concurrir á la defensa del Estado, y á mantener el poder del Soberano, la justicia y la policia, que conservan á cada uno la vida y la hacienda y cada uno debe tributar segun su estado, y á proporcion de lo que guardar, ó que pender, Ward, *op. cit.*, p. 172.

<sup>2</sup>Seligman, *op. cit.*, p. 432.

<sup>3</sup>*Theorica*, cap. lvi.

<sup>4</sup>Seligman, *op. cit.*, pp. 75-96.

the tax as bread was used by everybody, including the foreign merchants in Spain who were the recipients of various tax exemptions. This view is another proof that the principle of universality in taxation was recognized, and that the politicians sought to realize it. To apply the principle of ability to pay to a greater degree, Uztariz adopted the view of Diego de Saavedra who laid down the rule that "taxes are not to be laid on the necessities of life but on things that serve for luxury, curiosity, ornament, and pomp".<sup>1</sup> Such a thought was doubtless inspired by the glaring abuses perpetrated in Spain, where the members of the nobility paid very much less or were entirely exempted from paying taxes, while the burden was laid on the shoulders of the laboring poor. The practice of the system of exemption from the payment of taxes was one of the characteristics of the Spanish fiscal system; the nobility and the ecclesiastics were the recipients of this very expensive and uneconomic favor.

## II. *Financial Reforms*

The coming of Philip V to Spain at the beginning of the eighteenth century found an empty treasury, a country with a very low credit, and inhabited by a people whose knowledge of prosperity belonged to a distant past. The Spaniards were the most heavily taxed people in the world during the reign of the House of Austria when its aspiring sovereigns were continuously engaged in a protracted struggle for imperialism, both in the Old World and in the New. The politicians with no exception advocated in a greater or less degree the moderation of some of the taxes and the complete abolition of others. It was clear to everyone, and the writers were generally agreed on this point, that the heavy taxes were one of the principal causes of the unmistakable misery of the people. In the wealth of wise reforms

<sup>1</sup>No se han de imponer los tributos en aquellas cosas que son precisamente necesarias para la vida, sino en las que sirven á las delicias, á la curiosidad, al ornato y á la pompa, Saavedra, *op. cit.*, *Essay* 67.

suggested by the politicians in regard to the manner of the imposition as well as the administration of the different taxes in Spain, Uztariz easily took first rank. He discussed the fiscal reforms he advocated in connection with trade and manufacturing, indicating whether a particular tax promoted or harmed them.

1. *The Excises—Alcabala, Millones, Cientos, and Other Taxes*

The nature, origin, and manner of collection of the different excises have been discussed above. Uztariz, by way of explanation, asserted that after the minutest and most laborious inquiry into the nature of the duties imposed upon commodities in Spain and other countries, he had not been able to find in any country, with the exception of Spain, that a duty was laid down upon the sale and barter of goods either upon the first or any future sale.<sup>1</sup> Realizing that a tax on any commodity almost always raises its price and that, unless it belongs to the category of necessities that do not permit substitution, the demand for it is lessened, Uztariz traced the decay of manufactures to the imposition of the *alcabala* and *cientos*. He maintained that the best policy was to make it a general and established rule that all woven goods of silk, wool, flax, hemp, cotton, camel and goat's hair, and other materials needed in the weaving industry in Castile as well as in other parts of the kingdom in which the *alcabala* and the *cientos* belonged to the king, be exempted from these taxes on the first sale or barter whenever the sale or barter was done by wholesale in the place of manufacture.<sup>2</sup> He recommended that the exemption from the payment of the *alcabala* and *cientos* be extended to other manufactured goods which might be produced for a profitable foreign trade.<sup>3</sup> Uztariz did not pretend to be certain as to the most reasonable measure of carrying his

<sup>1</sup>*Theorica*, p. 370.

<sup>2</sup>*Ibid*, p. 323.

<sup>3</sup>*Ibid*, p. 323.



proposal into execution, and modestly expressed his willingness to accept "such regulations as other ministers better skilled in this particular province, the management of the revenue, shall judge most prudent and best for his majesty's service and the general good of his subjects".<sup>1</sup> On grounds similar to those mentioned in the case of manufactures, he proposed that the *alcabala* and *cientos* be taken off from all sales on silk, flax, and hemp which were the growth and produce of the country.<sup>2</sup>

## 2. Monopolies

The king gave up the monopolies of the taxes paid on brandies, anniseed, and other strong drinks in consideration of the small advantage to the royal revenue and the detriment the towns received from their administration.<sup>3</sup> Uztariz pointed out many advantages that would be brought about by such a reform, especially to the farmers who were unable to sell their wines at the proper time and therefore had to convert their wines into brandies so as to avoid total loss. To remedy the evil of excessive drinking of brandy and other spiritous liquor which would follow because of their cheapness as a result of the giving up of the monopoly, Uztariz proposed to make the different kinds of wines dearer by increasing the tax on them.<sup>4</sup> In other words, while taking into consideration the fiscal aspect of the problem, Uztariz did not lose sight of the moral and social consequences that might arise. The royal monopolies, however, did not include liquor alone; the tobacco monopoly also constituted a large proportion of the royal income, and was the most profitable and lucrative, as well as the most certain, revenue of the king. Uztariz pro-

<sup>1</sup>. . . á las reglas que otros Ministros mas inteligentes en los negocios peculiares de la Real Hacienda consideraren por mas acertadas, y convenientes al servicio de su Magestad, y al bien comun de sus Vassallos, *Theorica*, p. 325.

<sup>2</sup>*Ibid*, p. 326.

<sup>3</sup>*Ibid*, pp. 128-132.

<sup>4</sup>*Ibid*, pp. 134-135.

posed to increase the revenue from this monopoly by better management of the purchase and transport of tobacco from Cuba, the principal source of the tobacco supply of the Peninsula. To lessen the cost of production, he proposed to produce the commodity on a large scale, recognizing the economies and the benefits of large-scale production.<sup>1</sup>

### 3. *Customs Duties*

One of the principal causes of the decline of Spanish trade, in the opinion of most of the Spanish pamphleteers, was the faulty system by which the customs duties were administered. Uztariz, on numerous instances in his treatise, discussed the subject in connection with trade and manufacturing. Spain followed a policy quite different from that of other nations in making use of the tariff as an instrument of attaining national prosperity. While other states which were influenced by the doctrines of the mercantilists followed the invariable rule of charging higher duties on imports, leaving exports free or charging only a nominal duty, Spain pursued just the opposite policy. Not a few of the Spanish politicians advocated the mistaken maxim of imposing high duties upon commodities exported because, to their way of thinking, the foreigners paid the duties, and recommended that on the contrary, very moderate duties be laid on imported goods because the native consumers bore the burden. "I have observed", Uztariz said, "that ministers and others, both in their conversations and writings, maintain the erroneous maxim that high duties should be laid upon commodities exported, because foreigners pay them; and, on the contrary, very moderate ones on such as are imported, because these are chargeable to his majesty's subjects".<sup>2</sup> Uztariz, who took a very strong exception

<sup>1</sup>*Theorica*, p. 368.

<sup>2</sup>. . . he observado, que algunos Ministros, y otros en sus escritos, y conversaciones apoyan la errada maxima, de que en todo lo que huviesse de salir del Reyno sean subidos los derechos, por ser los Estrangeros los

to this view, was not very far from the truth when he said that laying heavy duties upon exported goods would amount to the same thing as to prohibit their going out. If the exportation of the country's products was prevented as a consequence of heavy export duties, the customs revenue would suffer a diminution and a great deal of harm to the country would result through making impossible the reestablishment of different kinds of manufactures.<sup>1</sup> He pointed to the policies of France, England, and Holland, the countries he had always taken as his model, which were just the opposite of those being followed by Spain. Throughout his discussion, as already pointed out, he recommended as a general rule to be carried out, that higher duties should be charged on imports than on exports.

The preservation of the different manufactures in the country, which is the only means of preserving a profitable trade and which in turn is the principal source of revenue, is made possible by the prudent use of the tariff. The duties on imports and exports should be managed in such a way as to make the charges on certain goods as high as practicable and others very low in order to promote an advantageous trade. Uztariz stated: "Common sense and the practice of kingdoms or states that succeed in trade suggest to us that the duties upon exports and imports be calculated with the greatest prudence so as to charge certain kinds of goods and commodities as high as it is practicable, and others very low, to promote an advantageous trade".<sup>2</sup> The duties on provisions and articles of necessity should be governed by quite different rules from those on manufactures. The exporta-

que los pagan; y que al contrario han de ser moderados los derechos de lo que viniere de fuera, porque son los Vassallos de su Magestad los que lo han de satisfacer, *Theorica*, pp. 237-238.

<sup>1</sup>*Theorica*, p. 238.

<sup>2</sup>La razon natural, y la practica de los Reynos, y Republicas, cuyos Comercios florecen, aconsejan, que se regule prudenciamente la imposicion de los derechos á la entrada, y á la salida, subiendo los de unos generos, y materiales quanto suere practicable, y baxando los de los otros, segun conviniere al Comercio util, *Ibid*, 247.

tion of provisions should not be encouraged except during years of plenty, and the regulation of the duties should depend upon the demand of the foreigners, with the imposition of a high or low duty as the demand is great or small.<sup>1</sup> By the same token the import duties laid on provisions should be regulated according to the demand of the country.<sup>2</sup>

In Spain, owing to the abuses of the tax farmers, the customs duties had been more favorable to the foreign merchants than to the Spaniards. Allowances in both the duty and the valuation of imported goods had been made in favor of foreign traders and the Spanish merchants were put at a great disadvantage even in their own country. Uztariz complained that "both the destruction of our manufactures and the decay of trade are due principally not only to the bad regulation of our duties upon exports and imports, but also to the great allowances that have been made at Cadiz and other places, and are still allowed, upon foreign commodities in the duties as well as in the valuations".<sup>3</sup> The foreign traders were quick to take advantage of the foolishness of the Spanish rulers, and introduced their merchandise for domestic consumption as well as for export to the Indies, which had always been a closed market for goods other than those of Spain.<sup>4</sup> This abuse was deep-rooted in Spain, and the decay of 16,000 looms in Seville and their reduction to 300 can be explained by the mismanagement of the tariff.<sup>5</sup>

As we have already observed, in Spain, as in other countries of Europe in medieval and early modern times, customs houses were erected in every province or city, and the products and com-

<sup>1</sup>Cf. Ley 15, *tit.* xii, *lib.* ix, *Nov. Recop.*

<sup>2</sup>*Theorica*, pp. 301-302.

<sup>3</sup>. . . que así la destruccion de nuestras Manufacturas, como el atraso de nuestros Comercios, proceden principalmente, no solo de la mala regulacion de nuestros Aranceles, para los derechos de entrada, y salida; sino tambien de las considerables gracias, que en Cadiz, y en otras partes se han concedido, y se toleran á los compuestos, que vienen de fuera, así en el señalamiento de los derechos, como en los aforos, *Ibid.*, p. 241.

<sup>4</sup>*Ibid.*, p. 242.

<sup>5</sup>*Ibid.*, p. 243.

modities from one province or city were considered foreign in another, and therefore subject to the payment of import duties. The tariff problem, therefore, belonged to the local units as well as to the central government. Such a practice was a survival of medieval tradition when the guilds controlled the industries and trade of the cities and localities. To prevent the competition of the products of the guilds from other cities, the guilds in a certain locality claimed a monopoly of their own local market by means of erecting tariff barriers. Instances were not rare in which actual violence was resorted to as the last expedient for keeping out competitors. In this respect a distinct service was rendered by the Mercantile System; it subordinated the interest of the localities to that of the nation, and made the establishment of a national economy the principal consideration. But even the nationalization of the economic life of the country could not completely wipe out the internal customs duties that constituted a formidable obstacle to the attainment of a uniform system for the whole body politic. It was not until after the establishment of a strong national government, in the case of Spain an absolute monarchy powerful enough to compel the independent localities to give up their sovereignty, that a unified tariff system was instituted. Internal trade was not only shackled by internal customs duties; it was also crippled by numerous local taxes and duties of all sorts. Uztariz met the problem by proposing the abolition of the payment of the *diezmo*, *almojarifazgos*, *cientos*, and several other municipal taxes on goods transported from one province to another,<sup>1</sup> and recommending that these duties be charged only upon the exportation of goods abroad.<sup>2</sup> He pointed out that a step taken in that direction would enable the provinces to relieve each other in case of shortage of provisions by selling the goods and fruits which some of them produced in great

<sup>1</sup>*Theorica*, p. 294.

<sup>2</sup>*Ibid*, p. 295.



abundance, giving succor to others suffering from want and scarcity of the necessary supplies. The free exchange of goods within the country would check the introduction of foreign goods as native products would be available to supply the demand of provinces in need of them.

Uztariz was accused by Ingram of pushing the mercantile doctrines to the extreme, an accusation from which Uztariz could not easily escape.<sup>1</sup> To speak of the more specific tariff reforms suggested by Uztariz: he advocated that duties as high as treaties of peace would permit should be imposed upon the importation of woven goods made of silk, wool, cotton, flax, camel and goat's hair, and hemp; upon the introduction of all commodities made of iron, steel, copper, brass, ivory, shell, ebony, jet, wood, and other foreign wares of very little consequence; and upon articles of very fine quality usually for luxurious wear, as well as upon numerous trifles which would be tedious to mention.<sup>2</sup> His religious beliefs did not interfere with his protective measures; he recommended that the printing of all breviaries, missals, psalm books for the churches and monasteries, and other books used in divine worship, as well as school textbooks, which in general came from foreign countries, be printed in Spain.<sup>3</sup> He invoked the prohibitions contained in the old laws whose origin can be traced back to medieval times, and pleaded vigorously that these laws be strictly enforced. To compel a rigid observance of prohibitive laws, he suggested that articles coming under the category of forbidden goods (*cosas vedadas*) found in the country be declared contraband and subject to confiscation. This regulation was to be in addition to the one calling for the payment of fines and the imposition of severe penalties for violation.<sup>4</sup>

<sup>1</sup>Ingram, *op. cit.*, p. 76.

<sup>2</sup>*Theorica*, pp. 248-249.

<sup>3</sup>*Ibid*, p. 268.

<sup>4</sup>*Ibid*, p. 256. Cf. Ley 24, tit. 7, lib. I, *Recop. de Leyes*; Ley 32, tit. 7, lib. I, *Recop. de Leyes*.

4. *Other Taxes*

The taxes that were levied on the Spaniards defy any thorough classification that the modern science of finance has to offer. Spain was the home of all sorts of oppressive contributions; uniformity of taxes was the exception rather than the rule. In the inland parts of Cataluña, there existed an ancient duty called *Bolla* which was a tax of 15 per cent levied at the time of retailing woven and other goods. This duty, even at the time of its introduction when Spain was still in opulence, was very burdensome to the artisans and greatly retarded trade and manufacturing. This tax nevertheless survived the onslaught of its critics and continued to exist even at a time when its application entailed the greatest amount of suffering to those who bore the burden. Uztariz proposed that this pernicious and antiquated tax be taken off from manufactured goods in Spain and be charged upon playing cards and upon foreign made hats that were imported into the country.

There were also some minor taxes, local in character, which were a great burden that weighed heavily on the industries and trade. Two of these were the *Puertas* and *Pariage* charged in the customs house of Barcelona at the rate of four and one-half per cent on all goods exported. To complete his program of easing the condition of the laboring class and to encourage trade, Uztariz made a plea that these two taxes be thereafter imposed only on commodities and fruits coming from foreign countries.<sup>1</sup>

These minor taxes, which were nevertheless burdensome, yielded very little revenue to a depleted treasury. Small as the income of the treasury was, the outflow became greater as the years went by and followed a path that led to complete insolvency. The extravagance and prodigality of the Spanish monarchs we have already had occasion to observe. The treasury

<sup>1</sup>*Theorica*, pp. 357-358.

suffered a further diminution of its proceeds by the payment of pensions (*jueros*), an item of expenditure which has an ancient origin and which continued to bedevil our modern treasuries. Modern tax reforms include the abolition of pensions, but Uztariz and other Spanish fiscal writers had seen the evil of such a system long before modern tax reformers had seriously considered remedying the situation. Although Uztariz did not go so far as to recommend a complete abolition of the system of pensions, he endeavored to meet the expense by proposing that the proceeds of the four minor taxes named above, the *Bolla* on cards, *Puertas*, *Pariages*, and *Bolla* on foreign hats be applied as a fund for the payment of pensions, if their abolition was not feasible.<sup>1</sup>

### III. *Tax Administration*

Uztariz threw some light on a moot and controversial problem, namely, the method of tax administration. Taxes in Spain were administered in two ways: they were either farmed to private contractors who were mostly foreigners, or put under the administration of the government. While taking into account the amount of the yield from the different sources of revenue, he attached greater importance to the influence of the taxes on trade, which should in all cases be the most important consideration. Uztariz definitely expressed the view that taxes should be under state administration as this method would be more conducive to the advancement of trade and, in the long run, would yield more revenue to the government.<sup>2</sup> In other words, our author was of the opinion that a sound fiscal system must not harm industry and trade. Without doubt both methods of the administration of the fiscal system in Spain were defective and open to serious objections, but Uztariz, following the excellent rule that in the

<sup>1</sup>*Theorica*, pp. 365-366.

<sup>2</sup>*Ibid.*, pp. 246-247.

choice between two evils the lesser evil is to be preferred, favored the collection of the taxes by the government. The great majority of the taxes in Spain was farmed to private contractors, and in this respect the Genoese bankers excelled. Private contractors took advantage of their privilege without scruple in favoring the entrance of goods from their own countries through an abatement in the customs duties, thus defeating the real object of the tariff. The rate of charges was not uniform throughout the country; there was confusion, and fraud was rife. The fiscal administration by the state, to be sure, was also fraught with abuses. There were legions of tax collectors that greatly depleted the proceeds, and cases were not rare in which the amount of the tax collected was not even enough to pay the salaries of the officers intrusted with its collection.

Uztariz pointed out the advantages and benefits to trade if the government were to manage its own revenues. He was apprehensive of the danger of the customs administration falling into the hands of foreigners or their representatives, thus enabling them to flood the country with foreign merchandise at their pleasure and convenience and Spain would be helpless to stop their activities. "For it may happen", he said "that a foreigner, invested with power, and a secret commission from one of the great trading companies such as those in France, England, and Holland, may become proprietor of it in the name of some family in this metropolis, or in some other port of Spain . . . For if one of these powerful companies should become proprietor and director of these duties, it might, by an insidious reduction, and sometimes taking them off entirely, fill Spain with their own commodities (to the exclusion of other nations who could not have the same advantage) and supply the whole consumption both here and in the Indies. So that by this means they would be in possession of the principal part of the trade and coin of these kingdoms and America, and instead of improving, would

complete the ruin of our manufactures".<sup>1</sup> He further pointed out that many of the tax farmers, just before the expiration of their terms, made a practice of granting greater indulgences and reductions in the customs so that, by the entry of more goods during their term, a considerable profit might accrue to themselves. By this clever manipulation the warehouses were stocked not only with a supply until the end of the contract but for a long time after the stipulated term had expired with the consequence that the farmer in possession of the contract, having no competitor, renewed his lease on his own terms to the great prejudice of the royal revenue and trade in general.<sup>2</sup> Uztariz observed similar abuses in other revenues that were farmed and, for the same reason as in the case of the customs duties, believed that the taxes with the exception of a few should be administered by the government.

The Spanish fiscal system, besides being productive of unnecessary embarrassment to the arts and trade, lacked uniformity, and for centuries there was not a uniform system applied to the whole country. Uztariz sought by the numerous reforms he advocated to simplify a muddled system of taxation without sacrificing the amount of the yield and the beneficent effects that a sound fiscal system would bring to the nation's trade and industries, which he aimed to promote.

The Spanish writers of the seventeenth and eighteenth centuries were deficient in fiscal theory. It may be said, however,

1. . . pues tal vez pudiera suceder, que algun Estrangero, con poder, y comission secreta de una de las poderosas Companias de Comercio, que hay en Francia, Inglaterra, y Holanda, se hiciesse dueño del arrendamiento en cabeza de algun vecino de esta Corte, ò de otra parte de España . . . respecto de que una de estas Companias poderosas, siendo dueño, y arbitro de estos derechos, podria con la simulada moderacion de ellos, y á veces franqueandolos enteramente, llenar con sus generos a España (aun con exclusion de las demas Naciones, que no parti ciparian de semejante beneficio) y proveernos de ellos para todo el consumo acá, y en las Indias; de suerte, que por este medio se constituirian dueños de la mayor parte del Comercio, y dinero de estos Reynos, y de los de la America, y se acabarian de arruinar nuestras Fabrica, *Theorica*, p. 245.

<sup>2</sup>*Ibid*, p. 246.



that the essential features of a sound fiscal system are evident in their writings, although not presented in a clear and logical form. They analyzed and explained fiscal conditions in Spain when the country was ruled by monarchs who still continued to collect some of their revenues from sources devised by the feudal lord. The multiplicity of taxes that crippled industry and trade inspired the pen of a number of pamphleteers whose writings were burdened with the different proposals for reforming the system of taxation. In the tax reforms suggested, the Spanish politicians anticipated some of the fiscal theories of later writers. But the service of Uztariz and his followers to the science of finance was rendered not so much in the theoretical aspect of the field as in the practical application of the fiscal theories of writers of more speculative bent.

## CHAPTER VIII

### SIGNIFICANCE OF UZTARIZ

To attempt to estimate and evaluate the significance and influence of a man upon his time, and more especially upon his native country, will inevitably arouse controversy. Even an unbiased investigator who has studied the work of a great writer finds it hard to do full justice to the subject of his study; he claims either too much or too little honor for him. The problem is not so difficult in the case of a really outstanding writer whose work has at once fired the imagination of mankind and unquestionably furnished the greatest source of inspiration to notable public legislation and reforms; but when it comes to assigning the proper place to lesser lights, certainty and confidence give way to hesitancy and doubt. The influence of *The Wealth of Nations* on English life is a matter that gives rise to little debate. The *Theorica y Practica de Comercio y de Marina* had also considerable significance in connection with Spanish economic conditions although not so marked as that of *The Wealth of Nations* on England. It is proposed in this chapter to consider the influence of Uztariz upon some of the Spanish economic writers and upon the economic life of Spain. Here again, we are compelled to repeat our expression of regret over not being able to include other writers whose works are not for the present accessible.

#### I. *Followers of Uztariz*

The task of singling out the members of the Mercantile School among economic writers offers very little difficulty as the doctrines

and principles upon which it is based are defined, but to determine and label a man as a follower of another who belongs to the same school of thought is a matter of conjecture and personal opinion; any definite decision, therefore, is open to serious question. Is mere profession of identical ideas with a prominent and well-known writer a badge of discipleship? It must be admitted that, at best, this is a moot question, and we make no pretensions to laying down definite and rigid rules to be followed in such cases. But we know that the publication of the *Theorica y Practica de Comercio y de Marina* exerted a profound influence not only in Spain but also among the other members of the mercantile school in Europe, especially among the government officials of the trading nations who were also Spain's rivals. Among the Spanish politicians who continued to develop the same line of thought and ideas as Uztariz, two of the most prominent were Bernardo de Ulloa and Bernardo Ward. A brief analysis of the economic conceptions of these two Spanish politicians, and comparison of them with those of their more prominent predecessor, would help us to understand in a much clearer manner our author's contribution to Economics.

### I. *Bernardo de Ulloa*

Among the followers of Uztariz, Bernardo de Ulloa was the closest. Like Uztariz, he was also a government official, having been at one time Mayor of the famous city of Seville. While the historian and biographer remember him as a public official and as the father of the famous traveler and historian of America, Antonio Ulloa, who has been frequently cited and quoted by Adam Smith, the economist prefers to recall him as the author of an economic treatise entitled, *Restablecimiento de las Fabricas y Comercio Español*,<sup>1</sup> published in Madrid in 1740. The work treats of the state of Spanish industries and trade in the eighteenth

<sup>1</sup>Reestablishment of the Spanish Manufactures and Commerce.

century, and it has been regarded by some writers as a supplement to the more famous treatise of Uztariz, an extract of the *Theorica* being incorporated in it.<sup>1</sup>

Ulloa divided his work into two parts, the first part treating of the various obstacles that impeded the development of the industries and trade of Spain, and the second part being devoted to an examination and criticism of the colonial system of Spain. The principal thesis of the work is a discussion of the establishment of new manufactures in the country and the continuance and preservation of those already existing. He began his discussion by endeavoring to give a definition of commerce and traffic. He defined these two terms thus: "Commerce is the sale or barter that is made of all vendible products; and traffic is the transportation of such products from the place where they are manufactured or produced to the place where they are sold or bartered".<sup>2</sup> It is from these two activities, according to his point of view, that the nation derives its opulence, riches, property, and defense.<sup>3</sup> Like Uztariz, he pointed out the interdependence of trade and manufactures as well as other industries; the progress of trade, he believed, depends upon the productiveness of the industries and manufactures of the country. Without commerce and traffic flourishing manufactures could not exist; and without trade and manufactures, other industries upon which the people depend for their subsistence would languish. Completing the circuitous method of reasoning, that was also employed by Uztariz, he maintained that without a numerous population, factories could not be made to prosper. Ulloa doubtless had in mind

<sup>1</sup>Blanqui says of Ulloa's work: Bon livre a consulter sur la decadence industrielle et commerciale de l'Espagne, et sur toutes les questions d'economie politique qui s'y rattachent, Blanqui, *Histoire de L'Economie Politique en Europe* (Paris, 1860) vol. ii, p. 396.

<sup>2</sup>Comercio es la venta, ó permuta que se hace de las especies vendibles; y trafico el que se hace conduciendo las tales especies del lugar adonde se fabricaron, ó criaron, al de la venta, ó permuta, *Restablecimiento*, part i, pp. 1-2.

<sup>3</sup>*Ibid*, p. 2.

the necessity of a strong labor force to keep the wheels of industry going and, what is probably just as important although he did not express it, the consuming capacity of a large population. Again, like Uztariz, he divided trade into two kinds, active and passive; exchange he further classified into maritime and land commerce. Improving upon the classification of trade by Uztariz<sup>1</sup> who only vaguely implied but did not explicitly state it, Ulloa claimed that a country could have reciprocal trade also.<sup>2</sup> Such a view is quite a departure from the traditional doctrine of the mercantilist, for the Mercantile School was founded mainly on the principle that what one country gains in trade, the other party loses. International trade was never considered advantageous to both countries engaged in a transaction. In this respect, Ulloa must be considered as one of the first expounders of a thought that later undermined the mercantile doctrine.

Active trade consists in exporting goods to another country and receiving in exchange necessary goods, besides gold and silver. Passive trade exists when a country imports more commodities than it exports or, in other words, a trade that ruins a country by draining it of its precious metals belongs to the category of passive trade. Reciprocal trade is possible when one country exchanges goods for those of another and when no greater advantage to one party than to the other can be derived from the transaction. In a reciprocal trade the payment of gold or silver is not necessary for the exports and imports offset each other. A perfect balance of trade, which however seldom exists, is required for reciprocal trade. Both Ulloa and Uztariz failed to observe that all trade is a barter of goods purchased at the lowest cost because of natural advantages, and that in international trade, comparative cost and not absolute cost is the principal criterion.

<sup>1</sup>Uztariz, *op. cit.*, pp. 2-5, 7.

<sup>2</sup>Dividese el Comercio en marítimo, y terrestre: activo, y passivo, aunque también lo puede aver reciproco, *Restablecimiento*, part i, pp. 4-5.



Ulloa discussed the obstacles to the restoration of the flourishing state of the manufactures, sharing the belief of other writers on the subject, that the pernicious and incurable laziness of the people had been one of the causes of the decline of manufactures.<sup>1</sup> He cited as the second obstacle the lack of hands caused by the depopulation of the provinces which, in turn, had been brought about by a number of causes.<sup>2</sup> The most fundamental cause of the dire condition of the country, however, he felt to be the heavy taxes, the *alcabalas*, *millones*, and *cientos*, which increased the cost of producing commodities for exports, thus preventing Spain from competing with its rivals even in its own territory.<sup>3</sup> After stating the causes of the slow progress of manufactures, he attempted to offer remedies for the ills of industrial Spain. The protectionist's argument regarding infant industries, he readily accepted and brought to the forefront of his discussion. Foreign goods, he maintained, should be prohibited from entering the markets of Spain, and he advocated the exemption of all newly established manufacturers from the *alcabalas*, *cientos*, and other taxes. He recommended, following the suggestion made by Uztariz, that all manufactured goods sold in wholesale be exempted from the *alcabala* and suggested that only those commodities sold at retail should pay this most burdensome and unpopular tax.<sup>4</sup> In addition to the *alcabalas*, *millones*, and *cientos*, the internal customs duties and municipal taxes constituted a formidable obstacle to the manufacture, distribution, and sale of goods throughout the whole country. All of these taxes, he believed, should be levied only on foreign goods which were, on the contrary, exempted to the great disadvantage of the native manufacturer and trader. The old laws and *cedulas* prohibiting the entrance of foreign goods, the survivals of medieval prohibi-

<sup>1</sup>*Restablicimiento*, part i, p. 14.

<sup>2</sup>*Ibid*, pp. 15-16.

<sup>3</sup>*Ibid*, pp. 18-19.

<sup>4</sup>*Ibid*, pp. 35-39.

tion, should be rigorously enforced, and Ulloa recommended an increase in the import duties, not as a fiscal policy to increase the revenues of the king, but to raise the price of foreign goods so as to equalize the cost of production of Spanish goods with those of other nations, thus enabling the country to compete with them.<sup>1</sup>

Ulloa clearly pointed out that the high price of textile goods in Spain was attributable to the scarcity of the means of subsistence which brought about a high cost of living.<sup>2</sup> He vaguely suggested but did not elaborate a labor-theory of value; he saw the close relation of wages and the cost of subsistence with the prices of goods. The cost of subsistence varied in different provinces, and the levy of internal customs duties prevented the more opulent provinces from easily giving succor to the victims of poor harvests. He cited three causes for the great inequality of the prices of subsistence, namely: the poor condition of agriculture because of the continual contest with the *Mesta*; very inadequate transportation facilities for which Spain was notorious; and heavy and oppressive taxes which were imposed on and grudgingly borne by the common people.<sup>3</sup> Taxes were not only collected on the transportation of the products from one province to another, they were also levied on the goods themselves, leading to a pyramiding of the tax which in most cases reached an amount much greater than the cost of producing the goods.<sup>4</sup> Ulloa advocated freedom of internal trade, an important and much needed reform which Uztariz had so vigorously recom-

<sup>1</sup>El fin principal de este crecimiento no es lo que aumentará con él el Real Erario, (que no es dudable lograr en él una gran ventaja) sino imitar á los Estrangeros, dificultandoles la baratura de sus texidos, que es él medio con que hacen la mayor guerra á nuestras Fabricas, *Restablicimiento*, part i, p. 61.

<sup>2</sup>*Ibid.*, p. 68.

<sup>3</sup>*Ibid.*, pp. 70-71.

<sup>4</sup>El tercer motivo, que aumenta con desproporcion los precios de los abastos, proviene de los exorbitantes derechos que se les cargan, y el mal modo de su contribucion, y cobranza; pues no solo se cobran derechos de los portes, y conduccion de los frutos, sino tambien derechos de derechos, haciendo que por lo general sea mas crecido que el valor de los frutos el monto de la contribucion, *Ibid.*, part i, pp. 90-91.

mended, and pointed out the advantages of removing the taxes on the transportation of goods, municipal taxes, and *almojarifazgos* which prevented the realization of free exchange.

Like the other Spanish politicians, Ulloa showed great solicitude over the condition of the producing class, neglecting the interests of the consumers. He was concerned about the laborers in so far as their productive capacity was involved, committing the blunder common to his contemporaries of failing to see the identity of the laboring and consuming classes. The increased consumption of native articles was looked upon as stimulating production. He recommended the abolition of the old taxes which had outlived the purpose for which they were created, and the reduction of others which fell heavily on the rank and file of the laborers. He contended that the treasury would not suffer any diminution of its revenues if the taxes were reduced, for the loss that might be suffered in the beginning would be made good in the form of greater production which would, in turn, mean a greater income from taxes.

Like Uztariz, he stressed the importance of a strong navy to protect the oversea trade of Spain from the attacks of the pirates and corsairs that infested the seven seas during early modern times. The prosperity of manufacturers, being dependent upon the amount of traffic carried on both within the country and with other countries, without a strong navy and a big merchant marine would be adversely affected since the foreign trade of the country would retrograde.<sup>1</sup> Ulloa was unequivocally opposed to the traffic in negroes (*Assiento de Negros*) in which England had a contract with Spain to supply the Americas with negro laborers from Africa. Likewise, he was opposed to certain other treaties (*assientos*) giving the contract of transporting tobacco from Cuba, and the mail of the Canaries (*Correo de Canarias*) to other countries. All of this traffic could be handled by Spain with its fleet, thus leaving all the profits derived from freights in the

<sup>1</sup>*Restablicimiento*, part ii, p. 8.

hands of the Spaniards.<sup>1</sup> Although recognizing the numerous benefits to Spain of undertaking the transportation of negroes from Africa to the American colonies, he thought that this business offered a number of drawbacks to the country. In the first place, Spain had no colonies in Africa where negroes could be collected for the plantation labor in the New World; she would have to buy the supply of negro laborers from nations having African colonies in which case the profits would not be so alluring as to warrant such a venture.<sup>2</sup> In the second place, it was not advantageous to trade to have the fortresses on the African coast which were indispensable to ensure the embarkation of negroes because the cost of maintaining such fortifications would be too great to yield a profit.<sup>3</sup> The slave trade, though it yielded enormous profits to England, held very little attraction for Spain.

One of the important causes that hindered the steady development of the traffic of Spain with the Americas lay in the tolerance in the New World of foreign colonies which competed with the Spanish colonies; in this competition the foreign colonies held the upper hand, wresting the control of trade from the Spaniards and carrying all the silver and gold of the colonies.<sup>4</sup> But the principal obstacle to the establishment of an active traffic originated in the neglect of the fisheries from which the best mariners were taught and recruited, and to which the old sailors were retired in comparative comfort and security for the rest of their lives.<sup>5</sup> The decay of the fisheries Ulloa attributed to the introduction of foreign fish into the country; the obvious remedy for which, he believed, was to prohibit the entrance of dried and salted fish, providing severe penalties for the violation of the law so that the consumption of native fish would be stimulated.<sup>6</sup> Ulloa pointed out that the abundance of fish of all kinds along the

<sup>1</sup>*Restablecimiento*, pp. 17-19.

<sup>2</sup>*Ibid.*, p. 21.

<sup>3</sup>*Ibid.*, p. 23.

<sup>4</sup>*Ibid.*, pp. 24-25, *et seq.*

<sup>5</sup>*Ibid.*, p. 42.

<sup>6</sup>*Ibid.*, pp. 49-50.

Spanish coasts rendered it unnecessary to resort to other sources for the home supply.

Ulloa lamented over the fact that Spanish shipping lagged behind that of other nations, even Spanish goods exported to other nations having been transported on foreign bottoms. Like Uztariz, he wished to make it a rule that all Spanish goods and those of the colonies should be transported on the Spanish flotas and galleons. He cited the laws of France designed to attain this end in regard to French trade, and also the English Navigation Acts of 1660 which provided that no merchandise from Asia, Africa, or America could be transported to England except on English vessels.<sup>1</sup> To compel all traders to follow this rule when trading with Spain, Ulloa recommended that all goods brought to Spain on foreign vessels should pay twice as much duty as those transported on Spanish ships.<sup>2</sup>

Ulloa did not offer any improvement upon the trade policy of Spain towards the colonies; on the other hand, he would have added to the misery of the colonies by recommending the curtailment of the traffic among the colonies themselves as well as with other nations, on the ground that Spain did not derive any benefit from their transactions. In this proposal he proved himself a slave of the same erroneous conception which had deceived almost every one of his contemporaries, who looked upon the colonies as potential competitors of the mother country in matters of trade. He discussed the objections advanced against the trade between the Philippines and New Spain, claiming that the traffic between the Islands and Mexico had been prejudicial to the silk manufacturers and trade of Spain in general. It was pointed out that since Chinese silk was poorer in quality than that of Spain it should be prohibited from entering the markets of America so as not to destroy the good credit of the Spanish silk manufactures. Ulloa attempted to show that the traffic of

<sup>1</sup>*Restablicimiento*, p. 59.

<sup>2</sup>*Ibid*, pp. 63-64.



Spain could be improved if the Philippines traded directly with the Peninsula; he saw various benefits to Spain that would be derived from such a direct communication between the Oriental colony and the mother country. The merchant marine would increase its force, with all the advantages resulting from a big shipping force, by giving employment to more sailors; the silk manufacturers would not have to depend for raw materials solely on Spanish products, which were more expensive than those of the Orient; and Spain would share in the profits derived from the spice trade in the East which was then monopolized by Holland.<sup>1</sup> But Ulloa was not entirely a narrow-minded politician in regard to the economic policy of Spain toward the colonies; he contended that industries that could not be established profitably in Spain could be set up in the colonies, and he pointed out the fact that industries under the power of a single sovereign would not hurt the industries of Spain, although they might come into direct competition with those of the mother country.<sup>2</sup>

Ulloa brought up the question, which had also troubled Uztariz, as to which was more advantageous with regard to the American trade-traffic by means of flotas to Mexico and by means of galleons to Tierra-Firme and South America, as it had been carried on in past centuries, or by means of big companies.<sup>3</sup> He arrived at the conclusion reached by Uztariz that the traffic with America should be carried on by means of flotas and galleons. Ulloa next considered the activities of foreign merchants in the colonies, and severely criticized the abuses committed by Spain's rivals in carrying on illicit traffic with the Spanish colonies. The slave trade had conferred incalculable advantages on England through affording it a good screen to hide its exploitation of the Indies when dealing in other commodities besides slaves, at the expense of Spanish trade and traffic. England

<sup>1</sup>*Restablecimiento*, part ii, pp. 95-96.

<sup>2</sup>*Ibid*, cap. xxii.

<sup>3</sup>*Ibid*, pp. 98-99.

exceeded the provisions of the contract with Spain calling for trade in negroes only, and the Indies were flooded with English goods of all sorts which were not allowed to be brought in in the ordinary course of trade.<sup>1</sup> To remedy this illicit trade of foreigners in America, Ulloa proposed rather extreme measures. In the first place, he recommended that all foreigners in American territory under Spanish rule be expelled and their colonies reduced.<sup>2</sup> In the second place, he suggested that foreign textile goods be prohibited from entering the colonies, and all goods illicitly introduced be confiscated. To avoid fraud, any imitation of the trade mark of Spanish goods should be subjected to severe penalties. It had been argued that Spain could not supply all the demands of America for textile products, but Ulloa discredited this contention of other writers by pointing out that the resources of the country were sufficient to meet the needs of the colonies.<sup>3</sup>

The population problem has been one of the principal themes animating the writings of Spanish politicians. The depopulation of the country and the colonies has been attributed to various causes, Ulloa ascribing the decrease in the number of the inhabitants in the Indies in part to the excessive personal services required from the simple inhabitants, the compulsory labor in the *encomiendas* of the conquistadors,<sup>4</sup> and the recurrence of

<sup>1</sup>*Restablecimiento*, p. 100.

<sup>2</sup>*Ibid.*, p. 119.

<sup>3</sup>*Ibid.*, pp. 171-177.

<sup>4</sup>*Cf.* "They were separated often the distance of several days' journey from their wives and children, and doomed to intolerable labor of all kinds, extorted by the cruel infliction of the lash. For food they had the cassava bread, an unsubstantial support for men obliged to labor; sometimes a scanty portion of pork was distributed among a great number of them, scarce a mouthful to each. When the Spaniards who superintended the mines were at their repast, says Las Casas, the famished Indians scrambled under the table, like dogs, for any bone thrown them. After they had gnawed and sucked it, they pounded it between stones, and mixed it with their cassava bread, that nothing of so precious a morsel might be lost. As to those who labored in the fields, they never tasted either flesh or fish; a little cassava bread and a few roots were their support. While the Spaniards thus withheld the nourishment necessary to sustain their health and strength, they exacted a degree of labor sufficient to break down the most vigorous man. If the Indians fled from this incessant toil and barbarous coercion, and took refuge in the mountains, they were hunted out like beasts, scourged in the most inhuman manner, and laden with chains

epidemics in the colonies. These and other causes contributed to the depopulation of the Indies, but the most important from Ulloa's point of view was the excessive drinking of liquor which was made from sugar cane. In medieval times, the prohibition problem belonged primarily to the province of the church, and a religious aspect quite different from our modern conception was emphasized. In the Indies prohibition was not only a church problem but also a problem of the governors sent by the king. Prohibition against the use of intoxicating drinks was embodied in royal decrees and orders, but like all modern attempts to curb the vice, it failed even during a time when absolute monarchy was the principal form of government.<sup>1</sup> The failure of the state to enforce prohibition led to the establishment of the liquor monopoly which was entrusted to the colonial governors who attempted to regulate the manufacture as well as the sale of all strong beverages.

Ulloa's economic ideas on all these subjects followed closely those of Uztariz, and throughout the Restablicimiento, the influence of the *Theorica* is very evident, both as to form and as to the subjects discussed.

## 2. Bernardo Ward

Another Spanish economist whose ideas were akin to those of Uztariz, was Bernardo Ward. An Irishman by birth, Ward was one of the most prominent of the Spanish economic writers of the second half of the eighteenth century. After being educated in his native country in letters and the sciences, he went to live in Spain where he applied himself to a study of the political and economic state of the country of his adoption. The king, Fernando VI, informed of the talents and gifts of Ward, commissioned him to make a tour of the different countries of Europe

to prevent a second escape. Many perished long before their term of labor had expired." Irving, *Life of Columbus* (New York, 1868), vol. ii, bk. xvii, p. 402. Cf. Roscher, *op. cit.*, p. 6.

<sup>1</sup>*Restablicimiento*, part ii, p. 238.

in which he would observe and take note of the progress made by other nations in the field of agriculture, the arts and commerce. Upon his return he was to propose reforms and suggest methods, in the light of the information gathered during his travels, to improve the industries of Spain. Ward was well qualified for this job for he had a thorough acquaintance with the different tongues of Europe. As a result of his economic observations, he produced two works one of which was entitled, *Proyecto Economico* (*Economic Project*),<sup>1</sup> published in 1763, and the other, *Obra Pia*, a posthumous work published in 1779.<sup>2</sup> He was honored by the king in an official way when he appointed him Minister of the Royal Council of Commerce and Money, a post once occupied by Uztariz, and at the same time entrusted him with the direction of the royal crystal factory of San Ildefonso.

The following pages will be confined to a discussion of the first and more important work which includes practically all the ideas developed in the *Obra Pia*, the latter being devoted to a discussion of a plan to collect all the vagabonds, tramps, and mendicants of Spain and employ them in some profitable trade for the benefit of the state. It was a pamphlet treating of that popular subject among the writers of Spain—the problem of population. Ward believed that in giving gainful occupation to the shiftless population of Spain, the love of work, which had been despised for centuries, would be instilled in the minds of the people. With the employment of such a big army of unemployed laborers, who depended upon the resources of the country without contributing to their support, the problem of the lack of hands for the different industries of the country would be easily solved; the industries would once more flourish as in other

<sup>1</sup>Son 'Project Economique' renferme d'excellentes idées sur une foule de questions industrielles, et il est considéré comme l'un des écrits les plus remarquables que aient paru en Espagne sur l'économie politique. Blanqui, *op. cit.*, vol. i, p. 23.

<sup>2</sup>Both of these works are published as a single volume under the title, *Proyecto Economico*.

days, thus increasing the exports of the country. But the efforts of the strong labor force that would be brought together by such a scheme would be nullified, and a lasting industrial revival would never come unless the taxes that continued to harass the industries and trade were abolished.

The *Proyecto* was divided into two parts, the first dealing with the condition of the manufactures, agriculture, and taxes in Spain; the second part treating of the economic condition of the colonies in America. Before expressing his views on the different economic problems that occupied the center of discussion in the writings of the Spanish politicians, principally on population, agriculture, manufacturing, and commerce, Ward directed his attention to the solution of some national problems that would promote economic well-being, recommending a number of appropriate measures that would realize the aims of his economic scheme. He proposed a plan for the appointment of a commission of six members headed by a director to make a general and extended survey of the country and report on the economic conditions with reference to population, agriculture, manufactures, arts, and trade. With the information gained from such an exhaustive survey, the commission would draft a plan to improve existing conditions along these lines.<sup>1</sup> The economic project (*proyecto economico*) that he proposed to carry out called for extensive internal improvements which would have required an outlay of capital beyond the resources of the Spanish treasury. The problem of raising the necessary capital presented itself for solution, and Ward, demonstrating an admirable understanding and a broad view of the situation, suggested that the financial requirements be met by the establishment of a sort of national bank capitalized by public contribution, a scheme which he outlined as follows. Interest of four per cent was to be paid on all deposits in the national bank,<sup>2</sup> a financial institution which could not be dissolved in case of

<sup>1</sup>*Proyecto Economico*, p. 2.

<sup>2</sup>*Ibid*, p. 20 *et seq.*



mismanagement or fraud on the part of its directors; it was not a bank subject to bankruptcy because of the failure of its credit; it was not a prerogative of the king to draw from it; it was simply a lending institution whose credit was founded on the land and property of the kingdom, and it could never be dissolved or doomed to failure so long as there were proprietors in the country.<sup>1</sup> It will be seen that this plan was a revival of an old idea which was first suggested by Mata a little more than a century earlier in his proposal to establish public treasuries (*erarios publicos*).<sup>2</sup> To carry into effect the proposed internal improvements as recommended by the visiting commission, it would be necessary to create a council on improvements (*Junta de Mejoras*) to be composed of persons who, by their experience, talent, zeal, and love of their country's welfare and progress, could best direct the program of a nation-wide reconstruction.

Ward, like the other writers we have considered, also favored and sought to encourage a large population for reasons similar to those advanced by his predecessors. Population, according to Ward, increases in two ways: physically and politically. Population increases physically when the number of persons increases; it increases politically when the added number of people is engaged in arts and industries that will help to swell the amount of the exports of the country. An increase in the population that is important and really worthwhile to the country is an increase in the number of laborers and artisans engaged in productive pursuits.<sup>3</sup> Like Uztariz, Ward attributed depopulation principally to the disinclination of the people to marry because of their inability to support a family, which in turn was due to their being unable to engage in productive employment as a consequence of the decay of the industries. The number of people in a country depends upon the degree of prosperity enjoyed by its inhabitants,

<sup>1</sup>*Proyecto*, p. 24.

<sup>2</sup>Mata, *op. cit.*, disc. viii, art. 80.

<sup>3</sup>*Proyecto*, p. 58.

for "in all countries, the population is always in proportion to the means of subsistence and comport that are found in it".<sup>1</sup> The only effective way of attracting people to come and settle in Spain was to give them more comfort than they could obtain in their own country for "nobody leaves his country to become poorer".<sup>2</sup> Again, like his more illustrious predecessor, he favored the laws admitting foreigners into Spain, but considered it one thing to admit foreigners and quite another to attract them to migrate and settle. Therefore, to encourage foreigners to come and live in Spain, he proposed that all the uncultivated land be placed at their disposal for the first fifteen years without requiring them to pay any rent to the landlord. In case the immigrants were manufacturers and not primarily farmers, they should pay only the rent of the land occupied by their homes, offices, and yards. A further encouragement to bring about an increase in the population, and one which appealed to the vanity of the Spaniards, was suggested; anybody who could bring into the country 200 families or the equivalent of 1000 souls (reckoning five persons to a family) would be elevated to the rank of the nobility, if he was not yet a titled person.<sup>3</sup>

Ward devoted more attention than Uztariz to the development of agriculture. To promote husbandry, he recommended that the people must be instructed in the art of cultivation; tillage must be encouraged by internal improvements and by the removal of the restrictive legislation that bothered the farmers.<sup>4</sup> Ward pointed out the importance of agriculture in the development of the nation's industries because it not only is the source of raw materials needed in manufacture but also furnishes other articles for the country's exports. Agriculture in Spain sank into neglect soon after the discovery of the Indies; while other more important considerations

<sup>1</sup>. . . en todo pais la poblacion siempre será proporcionada á la subsistencia y comodidad que se hallen en el, *Proyecto*, p. 58.

<sup>2</sup>. . . nadie sale de su patria para estar peor, *Ibid*, p. 59.

<sup>3</sup>*Ibid*, pp. 65-66.

<sup>4</sup>*Ibid*, p. 70.

enter into the problem of the decay of agriculture, it is nevertheless true that the discovery of the New World partly explains the loss of interest in tillage. With the inauguration of trade between Spain and America, there was a shifting of interest from the farm to the cities of the coast; people migrated from the country to the trade centers to imitate the merchant class who made their fortunes overnight. Moreover, the titled landlords preferred a life of ease in the court, leaving their estates in the hands of vassals. Ward, familiar with the indolence of the Spaniard and his aversion to all sorts of manual labor, favored the introduction of foreigners who understood farming better than did the native population. The perfection of agriculture, according to his conception, consists of the production of more and better products with less expense, less labor, and less acreage of land.<sup>1</sup> He discussed the different methods of fertilizing the land, the blessings of a good irrigation system, and the importance of forests. The *Mesta*, that powerful sheep-raisers guild, continued to be a thorn in the side of agriculture. It has been observed that herding was not a supplement to tillage but was put above the cultivation of the soil simply because the sheep-raisers were more influential with the king. The subject of the conflict between the sheep-raisers and the farmers which had existed since medieval times, Ward, like his predecessors, studiously avoided and therefore offered no solution of this troublesome question. When confronted with this most important problem of husbandry in Spain, he preferred to entrust its solution to a minister better qualified to decide what would be best. The promotion of agriculture means fostering the welfare of the farmers; the trade in grains should therefore be free from all kinds of internal taxes and tolls as an encouragement to the people to go back to the farms.<sup>2</sup> To facilitate the transportation of agricultural products

<sup>1</sup>*Proyecto*, p. 75.

<sup>2</sup>*Ibid*, p. 93.

and other goods, the construction of roads and the dredging of the rivers to render them more navigable he recognized as indispensable.<sup>1</sup>

Although aware of the importance of agriculture as a source of raw materials Ward, in keeping with the mercantilist's traditions, considered manufacturing the most important industry. Ward assigns six advantages to the country as a whole as benefits arising from manufacturing, namely: manufacturing gives the laborers employment that they may earn a decent living; the manufacturer derives a profit from his venture; the merchant also derives a profit from supplying the manufacturer with raw materials, and also from buying and selling the finished products; the manufacturer spends his daily earnings for the purchase of necessities, thus stimulating trade and benefiting not only the merchants but also the laborer; the treasury will be benefited by an increase in the royal revenues as a result of greater production and consumption of goods; and all the people engaged in trade and navigation and those connected with manufacturing in one way or another will profit by the greater activity and production.<sup>2</sup> We find in Ward a direct recognition for the first time not only of the problems of production but also of those of distribution and consumption, subjects which had been neglected by other writers. The textile industries, especially woolen and linen manufactures, he believed should be given preference above all others because four times more women than men could be employed and they would contribute to the support of the family. Child labor was common in most countries in the early period of the industrial revolution, and Spain had also a labor problem of this nature. While Ward counselled care and moderation in the employment of children,<sup>3</sup> labor legislation belonged to a much later era, and

<sup>1</sup>*Proyecto*, pp. 94-95.

<sup>2</sup>*Ibid*, p. 97.

<sup>3</sup>*Ibid*, pp. 99-100.

even his humanitarianism failed to bring about constructive reform in this direction.

Ward reaffirmed the arguments advanced by Uztariz in regard to the causes of industrial decay in Spain; he made light of the contention of other writers that the exodus to the Indies and the influx of the riches of the Americas, which brought about idleness and indolence, were the reasons for the lack of industrial activity. He pointed out that those who migrated to the New World were not manufacturers, and as to the riches from America causing indifference to manual labor, he maintained that the argument would hold true only in regard to nobility. While the increase of wealth in Spain, to be sure, caused idleness, just the opposite happened in other countries where greater opulence caused a more feverish activity. Ward advanced the four following causes which he believed principally responsible for the decline of the manufactures in Spain:

1. In the beginning Spain could provide America with all the products needed in the colonies, while practically all the gold and silver from the Indies stayed in Spain. The abundance of gold caused a general rise in prices which meant a rise in the cost of labor. A rise in wages meant, in turn, a rise in the cost of production of all articles and this made Spain unable to compete with other nations in the world market.

2. The sumptuary laws and decrees which curtailed the expenses of the rich deprived the laborers of the means of supporting themselves. Since expensive cloths were not made in Spain foreigners supplied the demand of the Spaniards; the consumption of native manufactured cloths was thus lessened and the weaving industry languished.

3. Like the other Spanish writers we have studied, Ward attributed the failure of the industries to the introduction of foreign manufactures. The bankrupt condition of the treasury



could not meet the insatiate demand of the kings, and they were forced to borrow from foreign bankers, mortgaging the lucrative prerogatives of the Spanish throne and granting foreign creditors various privileges to facilitate the introduction of their goods into Spain.

4. By adopting a different industrial policy from that in vogue in Spain, the English and the Dutch prospered rapidly from simple beginnings, building their manufactures upon the ruins of the industries of Spain, whose trade, together with the treasures of America, passed eventually into the hands of her rivals.<sup>1</sup>

While other writers attributed the decay of manufacture to the lack of hands in the country, Ward thought that "if we do not have manufactures, it is not because of the lack of people, but rather there is a lack of people because there are no manufactures and other industries that would support them".<sup>2</sup> As the undoubted causes that retarded if they did not completely wipe out the manufactures of Spain he explicitly enumerated the *cientos* and *alcabalas* which hindered the sale of goods, the customs duties which were more favorable to the foreign traders than to the native Spaniards; municipal taxes of all sorts; lack of credit and the failure to establish a national bank along the lines he has outlined; the guilds and brotherhoods which introduced monopoly that was prejudicial to commerce, impeded progress, and encouraged laziness; and above all, the defective economic system which did not develop the manufacturers sufficiently to provide the articles consumed in the country.<sup>3</sup>

Ward offered many timely suggestions for the rehabilitation of manufactures which would bring them back to the flourishing condition of earlier days. Factories, he pointed out, should be established where the cost of labor and materials was cheap, and

<sup>1</sup>*Proyecto*, pp. 101-103.

<sup>2</sup>Si no tenemos fábricas, no es por falta de gente, sino que falta gente porque no hay fábricas y otras industrias para dar á la gente con que subsistir, *Ibid.*, p. 104.

<sup>3</sup>*Ibid.*, p. 105.

goods demanded by the community should be manufactured, not those dictated by public authority. In this respect, Ward sounded a discordant note from the accepted doctrines of the Mercantile School which entrusted the management and control of industry to the state. Like Uztariz he thought that industries should be left in private hands but subject to the regulation of the state, and that factories should be located where there were no municipal laws or guild privileges to kill the spirit of free competition. When Ward wrote his treatise he showed the influence of the Industrial Revolution which had already begun when he recommends that labor should be performed by horses and machines as hand labor was very expensive.<sup>1</sup> He invoked the help of the state in providing regulations requiring that only a good quality of materials be used in manufactures, and that consumption should be restricted to home-manufactured goods.<sup>2</sup> In addition, he suggested that the government should impose heavy customs duties on foreign goods, and that the Indies should be opened to Spanish goods without the payment of any duty.<sup>3</sup>

Ward had some very interesting ideas on trade. "Commerce does not create anything", he said, "but it is the soul of industry and of the state. Commerce supports political activities and war, and is equally advantageous to the laborer, to the mariner, to the soldier, to the noble, and to the prince".<sup>4</sup> Like Uztariz and Ulloa, he divided commerce into two categories: useful and prejudicial commerce. A useful commerce, he believed is one in which the export of the country's manufactured articles is facilitated. The introduction of foreign goods to feed the factories is not entirely prejudicial to the country if Spanish goods are given in exchange, leaving the gold and silver in the country.

<sup>1</sup>*Proyecto*, p. 106.

<sup>2</sup>*Ibid.*, p. 109.

<sup>3</sup>*Ibid.*, p. 110.

<sup>4</sup>El Comercio no crea nada, pero es el alma de la industria, y esta lo es del Estado. El Comercio sostiene las operaciones políticas y la guerra, y es igualmente útil al labrador, al mariner, al soldado, al noble, y al Principe, *Ibid.*, p. 119.

Commerce is prejudicial to the state, he thought, when goods are imported that are not entirely consumed by the people but which serve to impede the consumption of native goods.<sup>1</sup> In his opinion, commerce may be useful to the merchant but very ruinous to the state;<sup>2</sup> and commerce that causes the exodus of money and retards the consumption of the country's products belongs to the latter category. With this conception of trade, Ward failed to see the identity of the interests of the people and those of the state, and to realize that in those cases in which there is a conflict between the interests of the individual and those of the state, the interests of the former must be sacrificed. The state must, however promote the interests of the people, and among the principal concern of a nation should be the increase of active trade which facilitates the export of goods and attracts money into the country.<sup>3</sup>

Although recognizing that trade can not progress to any appreciable degree unless aided by an efficient medium of exchange, a sound monetary system, and free competition, Ward was unfortunately contented merely to state platitudes on this important economic question, especially as it related to Spain. He realized the significance of various prerequisites of a prosperous commerce, but did not discuss exactly their interrelations. He simply stated: "The fundamental instruments that serve as the foundation of commerce, and that demand the attention of the government are money, credit, the circulation of money, consumption, the balance with the foreigner, exchange, interest, and the concurrence of buyers and sellers.<sup>4</sup> The good direction of all these points is the secret that makes the commerce of a nation flourish."<sup>5</sup>

<sup>1</sup>*Proyecto*, pp. 119-121.

<sup>2</sup>*Ibid*, p. 121.

<sup>3</sup>El principal cuidado de una Nacion, debe ser el aumentar el activo, que es el que la salida á los productos del pais, y trae dinero á casa, *Ibid*, p. 123.

<sup>4</sup>Las instrumentos que sivende fundamento al comercio, y que mas merecen la atencion del Gobierno son el dinero, el credito, la circulacion, el consumo, la balanza con el extranjero, el cambio, el interest, y la concurrencia de compradores y vendedores, *Ibid* p. 124.

<sup>5</sup>La buena direccion de todas estos puntos, es el secreto que hace florecer el Comercio de una Nacion, *Ibid*, p. 124.

Like all the other Spanish writers, he lapsed into that unprofitable field of sentimental historic retrospection regarding Spain's trade, and without any hesitation favored the exclusion of foreign goods as the only means of bringing the country back to its former prosperity. In addition to the prohibition of foreign goods, he proposed other remedies to promote trade, recommending the removal of various privileges of commercial companies, of the guilds, of certain cities and provinces, of the Mesta, as well as the abolition of various taxes. Internal trade must be kept free from the vexatious internal customs duties, for "liberty", he said, "is the soul of trade, and all kinds of monopoly its principal enemy".<sup>1</sup>

Ward, like Mata, recognized the interdependence of agriculture, the arts, manufactures, and commerce. In his opinion a country devoted entirely to agriculture would always be poor and exposed to great misery, but he realized that the country was dependent to a large extent on the cultivation of the soil, and felt that the surest way to encourage it was through the establishment of manufactures of all kinds; a large population, which was very much desired in Spain could not be maintained unless supported by agriculture, the arts, manufactures, and commerce, the union of these four being the only way to give wealth and strength to the state.<sup>2</sup>

Perhaps Ward's superiority over his predecessors lay in the field of fiscal theory, the theories of taxation which he expounded being distinctly more advanced than those of the other writers. As we have already pointed out in the preceding chapter, he had a grasp of the real purpose of taxation, when he insisted that all subjects have the obligation to contribute to the defense of the state, and to maintain justice, the power of the sovereign, and police to protect life and property; and each one should con-

<sup>1</sup>La libertad es el alma de comercio, y todo genero de estanco su mayor contrario, *Proyecto*, p. 147.

<sup>2</sup>*Ibid*, p. 158.

tribute according to his circumstances and in proportion to what he keeps or spends.<sup>1</sup> Translating Ward's conception of the purpose of taxation into more popular language, it simply meant that taxes should be paid by all according to ability to bear the burden, and that they should be used for the common good. Ward did not show that he was influenced by the Physiocratic theory of the single tax for he was unequivocally opposed to a single contribution (*Unica Contribucion*) as he thought that would be a violation of the principle of ability to pay, because a single tax, no matter what the basis may be, will always fall heavily on the poor. Ward recognized three basis of taxation, namely: real estate, profits, and expenditure or amount of consumption.<sup>2</sup> Like Uztariz he advised that the ease and protection of the laborers should be an important consideration in the levying of taxes; he, however, overlooked the welfare of the laborers, not as producers but as consumers, for he always associated the consumer class with the idle rich. Consumption he divided into three kinds, namely: necessities, comforts, and luxuries.<sup>3</sup> In framing the fiscal policy of the state he believed that taxes should be very low on necessities, moderate on articles of comfort, and high on articles of luxury.<sup>4</sup> It had been argued by other writers that the taxes on consumption were the cause of the disintegration of the industries, but Ward, drawing freely from his stock of observations accumulated during his extensive travels all over Europe, pointed out that most of the countries he visited possessed such taxes in their fiscal system. In a certain sense Ward, like Uztariz, although an eclectic politician at the same time maintained his own individuality. The policy of a wise politician, from his point of view, was not to refrain from levying any taxes on the country's subjects, for it is not possible to support the state without taxes,

<sup>1</sup>*Supra*, p. 135.

<sup>2</sup>*Proyecto*, p. 174. Cf. Seligman, *op. cit.*, pp. 14-18.

<sup>3</sup>*Ibid*, p. 174.

<sup>4</sup>La maxima del politico sabio, no es no cargar al vasallo en una justa proporcion, por no ser posible sostenerse el Estado sin rentas, sino darle antes el medio y modos de ilevar la carga con descanso, *Ibid*, p. 182.



but to levy taxes with ease and without arousing a great deal of complaint from the taxpayers.<sup>1</sup>

On colonial trade Ward followed the restrictive and exclusive policy favored by Uztariz. The trade of the colonies, he believed, should be reserved to Spain and all foreign goods should be prohibited from entering the Indies and America, including Tierra Firme, by the imposition of a high tariff.<sup>2</sup> The rigid laws governing the trade of the colonies had not been strictly observed, and smuggling had become a lucrative occupation, openly carried on. To improve the economic conditions of the colonies he recommended that a general survey of the American provinces, following his suggestion in regard to Spain, be undertaken with a view to determining the evils and providing for proper remedies.<sup>3</sup> A new economic order should be established in the Indies, a system that would prevent frauds on the part of the king's officials, put a stop to the smuggling carried on on a large scale by the rivals of Spain, encourage the cultivation of the fertile soil, extend trade, and promote humane treatment of the Indians.<sup>4</sup> Ward had no sympathy for the general economic policy of Spain toward the Indies, a policy characterized by numerous regulations that cramped the industries of the people. While he advocated restrictive measures with regard to the external trade of the colonies with countries other than Spain, Ward favored freedom of internal trade and other economic activities in the dominions. The crippling taxes that weighed so heavily on the native people he felt should be abandoned, and the American markets opened to Spanish manufactures and products, free from cumbersome customs duties.

Ulloa and Ward, and more especially the latter, may be said to be representative of the later exponents of the doctrines of

<sup>1</sup>*Proyecto*, p. 176.

<sup>2</sup>*Ibid*, p. 230.

<sup>3</sup>*Ibid*, p. 241.

<sup>4</sup>*Ibid*, p. 250.

the Mercantile School. Their writings are still typical of the best literature of the school, but now and then they lapse unconsciously into the more liberal thought that we now associate with the Classical School. Even the strong influence of Uztariz upon the economic views of these two writers had to relax with the development of newer ideas. The infiltration of more liberal ideas and doctrines from other countries, following the advent of dynastic rulers with more enlightened views, throws some light even if it does not afford an explanation of the changing tone of Ward's writings. The passing of Ward marks the beginning of the decline of an economic policy characterized by extreme nationalism, and the ushering in of an economic order more or less dominated by the doctrine of *laissez faire*.

## II. *The Influence of Uztariz's System*

The ideas of great men are reflected not only in the writings of their contemporaries and admirers but also in public policy. As we have already remarked, Uztariz had little influence in the field of theoretical economics. He founded no school. His influence was due chiefly to the brilliant and thoroughgoing manner in which he sought to bring about a practical application of the principles of the Mercantile School. His suggestive ideas seemed to have benefited other nations more than the country which he vigorously tried to rehabilitate. The reforms he advocated in trade and industries, taxation, and shipping were intended primarily for Spain, but the cosmopolitan character and wide application of his ideas on these subjects were interpreted by the competitors of Spain as a loud warning. His work appeals more to the academic society of the present day, but it performed the service of a sort of guide-book for the practical politician of the eighteenth century.

To point out the specific legislative enactments which might be attributable to the inspiration of the *Theorica* would be a tre-

mendous task in the field of speculation. The system of absolute government, further complicated by the acceptance of ecclesiastical omniscience, made it difficult if not impossible for public opinion shaped by the doctrines set forth in the writings of Uztariz to bring pressure to bear upon legislation. But the personal influence upon the king of Uztariz in his capacity as a minister was strong and the country, ruled as it were by royal decrees, edicts, and *cedulas*, received indirectly the benefit of the doctrines of our author, doctrines which have been handed down to the present in his work. In the Ministers' Council the influence of Uztariz was evident. Likewise in the decisions and reports of the Board of Trade and the Mint, of which Uztariz was once secretary, his work was frequently referred to and sought for guidance; and long after our author had joined the immortals, the principles and maxims enunciated in his book were cited as texts for the royal decrees and *cedulas* issued for the regulation of internal and foreign trade.<sup>1</sup>

The appearance of the *Theorica* in Spain marked the transition from pamphleteering to the production of formal treatises in Economics; the writers before Uztariz wrote on special economic problems; his system formally introduced Economics as a science into Spain.

<sup>1</sup>The *Censura* of the Marquis de Torrenueva reads in part: ". . . citar como textos, y vi seguir como seguros aciertos las maximas del Autor en este Tratado, que comprehenden, no solo las reglas peculiares para la mejor direccion del Comercio interior de estos Reynos, sino tambien las mas convenientes para que no sea tan estrangero en España el fruto de nuestras Indias.", *Theorica*.

## CONCLUSION

After a study of the economic conceptions of Uztariz and the other Spanish economists, in the light of the economic condition of Spain at the time when they wrote their treatises, a brief estimate of their ideas and contributions to Economics as well as a survey of the present significance and implications of their views is in order. In their writings we find lamentations and groans intermixed with the prayers of the politicians of a country which once enjoyed opulence and wealth, power and reputation among the nations of early modern times, although in later years Spain had to struggle for a place in the sun. In France, the tyrannies and excesses of the nobility and the abuses of an unjust, corrupt, and inefficient tax system, which crippled industry and trade, kindled the torch of the movement for reforms which the Physiocrats kept burning; as a result a new school of economic thought which slowly undermined the apparently secure position of vested interests was founded. In England we find a similar movement led by the able men who were the forerunners of the Classical School. When we turn the searchlight of economic inquiry on Spain, however, we find no movement comparable with those of England and France. There was no such thing as a Spanish School of economic thought and the science was sadly neglected.

There were nevertheless politicians, though few in number, who yet possessed brilliant ideas. Uztariz takes rank with the most prominent and erudite followers of the Mercantile School, although like the rest of his contemporaries, he expounded theories and conceptions which were more political than economic in character because they were inspired by the exclusive and nationalistic policy of an absolute monarch. His theory of trade, which he divided

into two categories, profitable and injurious trade, followed closely the political conceptions of his day; the belief that what one country gains, another loses, and that both cannot gain in the same transaction. A large population was much desired, not merely as the source of a large labor and taxpaying force, but also for military purposes to provide a strong fighting force in the wars for economic supremacy and national aggrandisement; in short, for imperialism. While his conception of wealth avoided the narrow and limited implication of the bullionists, who regarded money as the only form of wealth, he nevertheless fell into the same error as the rest of his contemporaries in advocating measures to keep the precious metals within the borders of Spain by whatever means. Uztariz and his predecessors, as well as the followers whom we have studied, very well deserve the accusation of Adam Smith: that the mercantilists neglected the consuming class, for throughout their works they subordinated the interests of the consumer to those of the laborer or producer, failing to see the identity of these two classes. In the various reforms and laws he recommended for enactment, Uztariz was thinking of the welfare and benefits that would be derived by the people, not as consumers but as laborers engaged in the different productive industries, overlooking the fact that the demand of the consumers for finished products stimulates production. Recommendations for the reform of the navy and the army brought out the condition and respective naval strength of the different powers of his time. Here again Uztariz had in mind not merely the benefits and advantages that a well-equipped and well-proportioned navy would confer on trade and industry; the security of Spain against the attacks of its enemies, especially the Moors, was also an important consideration.

To criticize the doctrines propounded by Uztariz and the rest of the Spanish writers we have studied would be to pass judgment on the doctrines of the Mercantile School in general. The Physiocrats in France and the members of the Classical School in England had already demolished the foundations upon which the mer-



cantile doctrine was built. Adam Smith, in the fourth book of the *Wealth of Nations*, does not regard the mercantile doctrines as a body of arguments and theories carefully worked out by able scholars; the views of the mercantilists are just the maxims erroneously conceived by practical men of business and by politicians. But we must agree with Karl Marx that economic laws are not immutable; one epoch may be governed by economic laws quite different from those of another. The mercantile doctrine best served the needs of the economic world of other days, but the passing of the economic order to which it owed its origin necessarily brought the collapse of the entire system. Nevertheless, while it is true that the main theories upon which the system was founded have become obsolete, it is shortsighted to deny that survivals of the system persist to the present day.

We condemn the mercantilists for their shortcomings in supporting the selfish and narrow designs of the impassioned nationalist; but a cursory examination of their ideas and theories, supposedly abandoned two centuries ago, reveals even to the careless observer that they continue to circulate with all their seventeenth and eighteenth century freshness among the most enlightened politicians of the present. The economic policies of the empires of today toward their colonies are still inspired and dominated by seventeenth and eighteenth century doctrines; the present policies of Great Britain toward India, of Holland toward the Dutch East Indies, and more recently of the United States toward the Philippines, present the most noteworthy examples. The debates and deliberations of the legislative bodies of the most advanced nations of the present era afford abundant examples of a masterful, even scholarly, presentation and restatement of doctrines of the mercantilists. Present day tariff discussions only improve upon the theories of the mercantilists but do not differ from them. With the world now talking chiefly of economics and less and less of politics, we witness a recrudescence of seventeenth and eighteenth century economic theories, and in order to follow the present day

economic discussions which center around the tariff and trade in general, one must refresh his memory concerning mercantile doctrines. Mercantilists still flourish and will continue to flourish although they are called by other names.

The mercantilists do not possess a theory of distribution. Such an omission may be explained by the fact that they are concerned principally with the problems of production. Uztariz made only a very vague suggestion regarding a subsistence theory of wages, and never discussed it at length. Of the theory of rent, he had nothing to say. Of the theory of value, he showed only a hazy notion in connection with his discussion of the origin of high prices as a result of the scarcity of provisions and the high cost of labor. The works of the mercantilists are not a genuine economic treatise; they are a medley of economic and political suggestions with a curious admixture of ethics. Although mercantilism to more modern eyes presents a very shortsighted policy, it had an important service to perform; it was a step forward in economic and political thinking, and it freed the economic system from the shackles of medieval tradition. The mercantile system in Spain did not possess exactly the same features as that of other countries; it was further complicated by ecclesiastical doctrinarianism and a most rigid religious tradition.

The mercantilists rode high in public favor for they advocated popular views the setting of which is intense nationalism.—Love of country and patriotism coincided with the economic interests of the people. Wealth means power, and they strove to attain both. But as nationalists, the economic writers were greatly handicapped; they approached their subject lacking the impartial, unbiased, and unaffected attitude of the scholar. Their intense nationalism and patriotism tainted and corrupted their economic views and conclusions; they took refuge under the protecting wings of science only to justify their prejudices and greed for power and glory. In making his proposals for economic reform, Uztariz insisted on tracing what had gone before in regard to—

the particular problem before him. The brilliant use which he made of the past practices of other nations in taxation, manufacturing, trade, the tariff, shipping and the navy would entitle him to be classified as a member of the Historical School had he lived a century later. To him economics and politics in general were closely intertwined, but today only a few economists fail to recognize the impossibility of divorcing one from the other in practice.

Although Uztariz frequently quoted from the orders of Colbert, it is hardly fair to brand him as a blind disciple of the French Minister. The economic state of Spain, the decay of industries and trade, and the oppressive system of taxation afforded our author, as a public official of high rank entrusted with the task of remedying these evils, the greatest source of inspiration. Even in our own day some of the suggestions Uztariz advanced two centuries ago may be profitably advocated, for some of the conditions that influenced his pen still exist. Mercantilism is always associated with Colbert; as a matter of fact, mercantilism in France is known as Colbertism. But while mercantilism is known as Colbertism in France, and Cameralism in Germany, although the mercantilists in Germany paid more attention to the management of the revenue of the prince, we shall be conferring a belated but justly deserved honor on our much neglected author if we associate mercantilism in Spain with the name of Uztariz, who was one of the greatest adornments of the Mercantile School. If Uztariz did not add much that was new to the theories of the school, he was among the first to make a thoroughgoing application of its fundamental concepts. If Colbert was the Messiah, Uztariz was the high priest of the Mercantile School. But the Spanish mercantilists will be read and studied not so much for their contributions to general economic theory, for as economic theorists they are not principally known; they will be remembered mainly for their very erudite and lucid exposition of the predicament of a once rich and powerful country, works which will constitute a still untouched mine of information for the economic

historian who devotes himself to an inquiry into the causes of the rise and fall of the wealth of nations. The economic historian of the future, as well as the economic theorist who attempts to venture a theory of depression or decline as opposed to a theory of prosperity, the main theme of the present writers of economic literature, will run the risk of making an incomplete contribution to the science if he fails to include in his study the works of the Spanish mercantilists; and in his study, the scientist will be generously compensated by frequent reference to the works of Uztariz and the other Spanish economists.





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